

A COLLECTION OF DECISIONS PRESENTING

PRINCIPLES OF WAGE
SETTLEMENT

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PRINCIPLES OF WAGE SETTLEMENT

EDITED WITH INTRODUCTIONS

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PREFACE

The objects and hopes which have inspired this collection of decisions in wage disputes are set forth in the general introduction to the collection and need not be repeated here. It is an attempt to put into order, so necessary for analysis and judgment, the large variety of contentions, principles and theories which are supported in wage controversies. Its arrangement is an experiment; it was designed to bring out the relationship of each of these contentions, principles and theories to the others.

No systematic effort has been made in the introductory notes scattered throughout the collection to analyze at length their economic characteristics and consequences. An earlier attempt of that kind was made in the author's "Principles of Wage Settlement."

My greatest obligation is to the many authors (unnamed in the text) of the decisions reprinted, for it is their thought which has been my guide in this collection. I am grateful besides for the personal encouragement many of them have given me in this enterprise. It may be that these men are the forerunners of a new profession. I desire to make special acknowledgment of the aid given me by Mr. Francis A. Bird, of the United Typothetae of America in securing the texts of the arbitration proceedings in the Printing Trades, to Mr. Benjamin M. Squires for similar aid in regard to the Clothing Industries and to Mr. Chas B. Barnes in regard to the industries which he serves as Impartial Chairman. To Mr. George B. Soule of The Labor Bureau, Inc., my thanks are due for calling my attention to the Report on "Wages and Production" which is printed in part as a Supplementary Note. Mr. Daniel Bloomfield's warm interest has helped me in pushing the collection forward to publication.

A COLLECTION OF DECISIONS PRESENTING PRINCIPLES OF WAGE SETTLEMENT

INTRODUCTION

1. The Board of Arbitration in the important Eastern Engineers Wage Arbitration in 1912 commented upon its problem as follows: "Possibly there should be some theoretical relation, for a given branch of the industry, between the amount of income that should go to labor and the amount that should go to capital; and if this question were decided, a scale of wages might be devised, for the different classes of employees, which would determine the amount rightly absorbed by labor. It may be that in the future some such solution will be worked out for the various industries, and if so, the income of the railroads could be so apportioned. Thus far, however, political economy is unable to furnish such a principle as suggested. There is no generally accepted theory of the division of income between capital and labor." There is nothing novel about that conclusion. The Board merely admitted plainly the doubts and perplexity which enter the minds of all those whose task it is to render judgment in a wage dispute between organized contestants. The public mind has been content, except when serious trouble is upon it, to leave the question of theoretical principles of wage settlement to the private despair of a few specialists—meanwhile cursing any interference with its peace, expecting men, as it were, to settle their own quarrels without disturbing its routine. It is easy to sympathize with that attitude, and thus to regard any such inquiry or collection such as this one, as an annoyance—since it tries to reason about a matter in which few expect progress to be made

The lack of any widespread understanding of the possible principles which might be used for settling wage disputes, and the strongly held opinion that no set of satisfactory principles can be devised, have certainly been obstacles to the peaceful and constructive settlements of disputes. When men do not see any

principle on which they can agree, it is much easier to disagree. As the task of true statesmanship in the international sphere is to invent and formulate arrangements by which the divergent interests and ideals of nations may be reconciled, so in this sphere the task of economics is to indicate the possible basis on which men, seemingly driven by uncontrollable forces, can adjust their differences.

Today, it is true, there is no end of talk of principles, whenever a wage controversy occurs. But such talk is usually on the argument of partisans, not an honest and complete inquiry into what a just and satisfactory basis of settlement should be. Mr. B. M. Squires has characterized the situation which ordinarily arises even when a dispute is submitted to an impartial authority for settlement: "Too often in the past arbitration has followed the line of least resistance. With much unction the lion's share has been given to the lion. Decisions proposing another settlement were speedily forgotten because not enforced. Those submitting to arbitration frequently did so with the mental reservation that the decision to be acceptable must at least approximate the conditions they felt they would be able to establish by a show of strength." And again: "In arbitrary wage adjustments the absence of well defined and acceptable standards to be used in wage determination as well as the difficulty in enforcing awards that did not conform closely to the law of supply and demand has forced arbitrators to resort to the expediency of splitting the difference. Cost of living, proportionate expense of labor, and net profits when taken into account have been more often invoked in defense of claims than as a means of determining what claims were just under the circumstances."¹

This procedure has worked not too badly at times—especially during periods of prosperity. But its shortcomings are plain. It does not encourage employers and men to submit the difference they cannot settle to peaceful judgment; and each dispute leaves industrial relations exactly as they were before, as far as concerns the settlement of future differences. It tends to produce extreme instability at the highest and lowest points of the business cycle. It does not further the education of either management or men in wage affairs. Meanwhile our industrial system

¹ "New York Harbor Wage Adjustment." B. M. SQUIRES. *U.S. Monthly Labor Review*, September, 1918. page 19.

grows constantly more complex, the unit parts of it more massive, and each human group becomes more and more vitally affected by the actions of other groups. We will not be able to rule complexity by confusion.

These are the main reasons for seeking principles to guide us in the settlement of wage disputes and for going over past experience to find them. A survey of wage decisions can give instruction in three directions. First, it serves to indicate the chief subjects of dispute and the endless variety of circumstances differentiating disputes; second, it reveals the expectations and the preconceptions with which the workmen and employers view their wage situation at different times, and the matters which carry weight with their judgment; third, it gives information concerning the principles which have been or may be used as the basis of wage settlements and brings each one forward for critical analysis. This knowledge is the raw material of any judgment concerning the use of principles in the settlement of wage disputes—the bricks and straw out of which a just and practicable policy of wage settlement must be formed.

2. For purposes of instruction in the problems of wage settlement arising in industry, the analysis of wage decisions is, in my judgment, more illuminating than the ordinary instruction in the theory of wages. For it presents these problems in their actual variety and complexity and reveals exactly the way employers' and workmen's demands come into dispute. They show the broken surfaces of economic life that must be sewed together again—unlike the ordinary theory of distribution.

All attempts to derive a finished set of principles for the settlement of wage disputes by direct deduction from our theories of wages, have up to the present time proven barren. That is not beyond explanation. The main reason is that any principles thus directly derived are apt to be merely principles of passive submission. On the stage of general economic speculation these mortals who so hotly contend against each other by brief and argument, strike and lockout, are apt to appear as pygmies whose quarrel in the end will be settled not by their claims, but by the forces of nature and society which rule them. That is largely true. But in practice, that observation is more fitly delivered as a whispered suggestion, than as the first and final truth. Men

struggle with the intention of moulding the forces of nature and society by their own strength and devices. It is well to recognize this intent if only to save broken heads.

There is the further fact that any principles of wage settlement derived directly from a theory of distribution, could be expected to produce only the results allowed for in the theory. But wage theories, in themselves, are commonly only observations concerning tendencies and results which are not finally and permanently accepted. Satisfactory wage principles cannot be merely a deduction from observation of a past process; they must be the means of peacefully guiding and adjusting a present process containing elements of change

It should be needless to remark, on the other hand, that wage principles formulated without regard for what economic theory has to teach will turn out to be unsatisfactory. A wide and steady knowledge of the main tendencies in our economic system is required to forejudge the probable results of the application of any principle or principles in any given case—whether that knowledge be secured by a study of economic textbooks, or by independent observations upon economic experience. The best of economic theory is, after all, only the leadership in the observation of our economic life.

The preceding is largely in the nature of an apology for specialists. Not so with what follows, which is a statement in explanation of the ideas which have guided the composition of this collection of wage decisions, and its plan of arrangement

3. The cases reprinted in the collection have been derived from a large variety of sources: 1) from the decisions of arbitration boards in disputes in single industries and enterprises such as the Railroad Labor Board, 2) from the reports of special commissions set up to decide conflicts in particular industries as for example those established under the Canadian Industrial Disputes Act, 3) from the decisions of permanently established industrial courts, as for example the Australian Commonwealth Industrial Court, 4) to a much smaller extent and only when necessary to present views not expressed in decisions, from the briefs and arguments of the parties to a wage dispute, as for example the briefs presented to the Anthracite Coal Commission of 1920, 5) similarly to supply critical opinions not found in any decisions, a very few extracts from some private source.

4. One of the first questions that had to be decided in the selection of material was whether the collection should or should not be limited to cases dealing with American industry. The reasons for not limiting the collection in this way were to me convincing. The subjects of dispute in the other countries whose experience has been drawn upon in this collection, the attitudes and preconceptions of the parties in dispute, the problems of industry, seemed to me essentially the same as those which are presented by American wage disputes. The principles used have been much the same. In each country some novel experiments in principle have been made; the experience of each is valuable and deserves consideration with all the rest. This view is strengthened by reflection upon the purpose of making this collection.

The collection is not designed as an argument in favor of any one set of principles for use in American industry. It is intended to present all the more important principles that have been in use and appear worthy of attention as the possible elements of a policy of wage settlement. In the decisions they appear and are subjected to criticism as applied principles. The whole collection is but material to feed the reader's judgment, not an attempt to convince that judgment. If any of the reasoning in any of the decisions appear to him invalid as being based upon the assumption of conditions different than those prevailing in American industry, or in any American industry on which his attention may be centered, the reasoning may be discounted on that account. For example, the reasoning of certain British decisions may be based on the fact that most of her chief industries are export industries; therefore when weighing the value and soundness of this reasoning as applied to industries depending on a home market, this economic difference should be borne in mind. But intelligent thought will not have to be reminded that the principles utilized in wage settlements should be based upon the facts of each situation. The suggestive value of the material furnished by other countries was too great to be excluded because its reasoning may require qualification here and there.

5. Even utilizing the good foreign material that could be found, the material in this collection of decisions is decidedly defective—bearing in mind the object of the collection. Boards, Commissions and the rest, have not always been at great pains to acquaint the public with the thoughts which led to their de-

cisions. Honesty has often prompted this silence, no doubt. And at other times the decision has represented only a hazy judgment of expediency rather than a careful search for an explicit basis of decision. At still other times probably these courts and boards have been constrained from publishing their reasoning for fear that it might stir more disagreement than the decision.¹ The ideal was to illustrate each of the principles clearly and thoroughly, to bring each under critical discussion of its possible value, drawbacks, and potential relationship to other principles—all by means of the decisions themselves. The result is very far short of the ideal. The collection is full of gaps that will have to be filled by the reader or teacher. The material on some of the most important subjects is woefully inadequate. The texts of the decisions have had to be supplemented by editors' comments more extensively than was the original intention—in order to get a broad enough basis of interpretive comment for instruction. At various points important questions of wage policy are raised

¹ Some Courts and Boards have, however, made a most conscientious effort to define the principles and processes by which they have been guided in reaching their decisions. In explaining his own attempt to state the basis of his decisions, Jethro W. Brown, President of the South Australian Industrial Court has expressed clearly the hope which has led them on "But prevention is better than cure, and it is even more the duty of this Court to prevent disputes than to settle them. In order to do this, the Court must necessarily elaborate what I may call a code of industrial law. In most of the cases which have come to my notice, I have been able to adjust matters out of Court. But when a case comes up for hearing, I feel I ought in my award to regard, not merely the parties and the present, but also the community and the future. In order to do this, I must necessarily state the general principles in my mind so that other parties may know what to expect, and our code of industrial law may broaden from precedent to precedent" (Tug Boats Case—Case No. 20—*South Australian Industrial Reports* Vol. 3, 1920).

The course followed by the Railroad Labor Board is an instructive one. The Transportation Act of 1920 lays down the principles it should take into consideration "in determining the justness and reasonableness" of wages among "other relevant circumstances." The majority of the Board (usually constituted of the employer representatives and all or some of the public representatives) have apparently been puzzled from the start as to what weight should be given to each of the various principles when they led to different conclusions. They have evidently striven to take them all into account in a rather hazy fashion, and their decisions give only fragments of their reasoning and incomplete statements of their findings of fact. They have not made a logical and clear wage policy out of the principles in the Transportation Act, nor educated either the public or the industry very much in understanding them. The minority element on the Board have constantly emphasized the importance of one of the principles given, "the relation between wages and the cost of living" and have insisted that it should be given precedence over all others—which the majority has refused to do.

The Board has been confronted with an extraordinarily difficult task inasmuch as the railroad industry was in a very poor condition when it came into power, and inasmuch as the satisfactory determination of railroad wages is a task of unusual complexity. (See Case 115 *supra*). It can be criticized more fairly for lack of frankness in its decisions, than for the decisions themselves. These decisions have been very cautious—perhaps overcautious; but the situation in the industry certainly called for some of that quality. It should be observed that, aided by the return of great business prosperity, the condition of the railroad industry has greatly improved since the establishment of the Railroad Labor Board. Recently (1924) railroads have been granting considerable advances over the Board's awards.

One serious strike against its awards has taken place. At present there is a strong movement for its abolition inaugurated by the railroad brotherhoods.

which are not pursued either in the text of the decisions or the accompanying comment, but which can be followed further in general economic literature. If and as the body of case material grows, as in more and more industries thought is given to the basis of wage settlement and agreements are elaborated calling for the peaceful settlement of wage differences, the source material for such a collection as this will grow.

6. The scope of the collection is limited to what has been judged the most important subjects of wage disputes, those affecting the greatest numbers and arousing the greatest dissension. The reason was chiefly one of convenience—not everything was to be done at one time. Omissions are indicated at various points in the collection. The difficulties involved in working out a satisfactory scale and range for premium and bonus payment plans are not dealt with. Likewise the problems of overtime wages, and of wage adjustments consequent upon changes in the length of the working-day are left out. These are the most important omissions.

7. The editor's agreement or disagreement with the point of view or reasoning expressed in any decision played no part in the process of selection. Each case reprinted was chosen solely because it either illustrated and gave information concerning the principle under discussion, or because it contained an instructive critical judgment of the principle. Each is intended merely as material for the student's investigation.

A good deal of the material printed is in the form of short extracts from lengthy decisions. It might have been far more satisfactory to use only full decisions, but that was utterly unfeasible for several reasons. 1) It would have required a volume several times the bulk of this one. 2) The only way of finding one's way to any judgment concerning wage policy, it seemed to me, was by analyzing one by one the different principles of which a policy could be composed. But in most decisions, the reasoning ranges widely and often loosely over a great number of arguments; it is opportunistic and usually too confused and complex for the student to follow. Most cases contain a complex of issues not to be unraveled or judged, until separate principles had been studied. 3) Large parts of every decision deal with matters of

detail of no interest for purposes of instruction. The process of extraction is justified because the decisions are not printed as precedents having weight in themselves. Each was selected merely because of the light it threw upon some point in wage policy. Indeed, no great harm would be done if the identity of a decision were totally lost. Nevertheless care has been taken not to use any extract which had a different significance in its context, than when separately reprinted; every effort has been made to avoid misrepresenting any decision.¹

Many wage disputes, when they are submitted to some impartial authority, turn out to be disagreements concerning facts rather than over the significance of facts, or over principles of wage settlement. Such, beyond demonstrating the difficulty of securing accurate factual material, could be of no use for purposes of instruction, and have been omitted. For purposes of study the facts as summarized in each decision may be accepted as correct.

8. It will be found that each chapter and section contains decisions illustrating and discussing the use of a single principle or, at most, of two principles when both practice and theory seem strongly to support their joint use. In the volume, these principles are given an orderly relation to each other which is based merely upon the editor's analysis of their economic and social significance. The order of presentation is the editor's attempt to bring out the connection or lack of connection between different principles. Practice twists them about in combinations unsuggested by the collection, uses one, or uses many in satisfactory or confused combination. Each principle is only a suggested approach to the problem of wage settlement, a possible element in a defined policy. Each chapter is a presentation of that suggested approach, and an indication of what has been said for and against it by men engaged in the settlement of wage controversies. The whole is a rough outline of possibilities drawn from many sources and not in any respect a plan of policy in itself.

9. It follows that the decisions in this collection have neither the quality nor weight of precedent—as that term is used in law.

¹ Most of the decisions reprinted are obtainable in printed form. But a large minority have never been printed, and were obtained directly from the parties concerned. Whenever it has been possible full citation is given. But as regards the unprinted material, the only citation that could be given was an identification of the case.

The interest of each lies entirely in its contents, and not at all from the authority of the source from which it comes. They are arranged entirely without reference to the date of their delivery, or their source. Some day it may come about, if industrial conditions and relationships are more nearly stabilized than at present, that certain principles should acquire the weight of precedent. But the time to argue from precedent has not yet arrived (except in so far as decisions rendered under a continuing agreement in an industry may be counted as precedents within the industry during the life of the agreement, as in the Rochester Clothing Industry).

We are only just beginning to give serious study to the matter of wage principles. It is a time for investigation, experimentation and the open mind, not for the crystallization of opinion and the establishment of precedent. As any of our present experimental principles secure ever growing support by virtue of their value in practice, they may gradually be given something of the sanction of precedent. But that prospect is a purely speculative one; the whole industrial world may change before it is realized.

10. It seems settled by now that we will not consider in this country the application of any such unified policy of wage settlement as is applied by the Australian Industrial Courts. We may take measures of compulsion to prevent industrial strife in a few industries, but it is not likely that we shall impose even upon them principles of wage settlement if it can be avoided. Under pressure of events workmen and employers in a few industries have been voluntarily testing the results of submitting their differences to settlement on the basis of more or less explicit principles. The probable line of advancement lies in that direction. Here and there those engaged in other industries may decide that there is something to be gained in the way of industrial peace, stability and welfare, in following the same course. In any such development will come the true usage of principle as an actual guide—not merely as a convenient device of partisan reasoning.

11. The forms and meaning of most of the wage principles presented in this collection are half lost in the mists of contemporary controversy. There is no approach to unanimity of

opinion concerning their individual usefulness or their possible relation to each other even among those whose interests are unified. In this collection an effort has been made to give balanced representation to the most important of these conflicting opinions about each principle, which were to be found in wage decisions. Each decision presents a course of action open to question and submitted to the reader's judgment for agreement or disagreement.

An effort has been made to avoid forejudging the questions raised by any principle or decision in the explanatory comments. But such forejudgment was not to be avoided entirely, if the questions presented were to be clearly explained. Furthermore, for purpose of study each principle must be given separate analysis. But for purposes of policy they must be put together again. No indication of the possibilities of satisfactory combination could be given without in a measure expressing an opinion concerning individual principles

12. Most principles of wage settlement originated as logical defenses of private purposes or desires—as is commonly the case with principles now used to regulate human relationships. Their possible value may be none the less on account of their origin; private purposes and desires may equally well be just as unjust, practicable as impracticable. Naturally, the significance and results of any principle will differ according to how it is used. It may be used consistently and honestly or it may be made merely a cover for a decision based upon other grounds, especially upon the bargaining situation of workers and employers at the time of the decision. The principles of wage settlement adopted in any industry should be of such a character that every fact or tendency that should be considered for reasons of justice or practicableness, would be considered under the principles. Otherwise one of two things will happen. Either the principles will be repudiated ultimately, or they will become merely a disguise for the real basis of the settlements made.

Undoubtedly both the reasoning and conclusions of many of the decisions reprinted in this collection were influenced by matters not mentioned in the decision. That should be borne in mind when considering them critically. The same thing is to be anticipated in the future. It is only to be escaped when wage decisions are handed down by authorities confident of the loyalty of both

sides to the idea of peaceful settlement of wage disputes, and certain of having found satisfactory principles on which to base their decisions. Even then thorough consistency in the application of principle is not to be expected; nor is it at all certain that thorough consistency would be always wisest. It seldom is, in the regulation of human affairs. Behind all principles there must be the larger guiding sense of how ultimate purposes are to be best attained; that sense rarely follows an absolutely consistent course to its ends.

13. Both inside the main course of American industry, and abroad, a great many experiments in wage principles are being tried which are not given attention in this collection—profit-sharing plans, co-operative or semi-co-operative arrangements and many others. That is certainly to be desired. Each enterprise, each industry must make its own attack upon the problems of wage settlement and may make progress in a different direction than all others. And these plans may suit the needs and ideals of many engaged in industry more satisfactorily than any or all of the principles covered in this collection. But other inquiries into these other matters have kept well up with all developments.

14. The ultimate purpose of exploring the field of wage principles is to find out whether any of these principles or any combination of them meet well the plainest requirements of a satisfactory wage policy. To me a positive conclusion seems justified. Even out of the material in this volume, I believe not too poor and unlasting a policy could be framed. But that I leave for another opportunity. No single policy will suit all industries; each will have its own requirements different from the rest and requiring recognition.

The voluntary acceptance of a policy and program of wage settlement in any organized industry is an important step towards industrial peace. Nor does its significance end here. For it means that workmen and employers have been able to unite upon certain general aims such as the welfare of those employed in the industry and the progress of the industry, and to adopt an attitude of mutual regard and concern. It is a step towards making the industry a human whole, towards taking the sharpest edge off of bad turns of economic fortune, towards the use of intelligence to conciliate and advance men's economic hopes.

CHAPTER I

PROBLEMS OF WAGE SETTLEMENT CONNECTED WITH THE PRACTICE AND PRINCIPLE OF WAGE STANDARDIZATION

SECTION 1

THE CHARACTERISTICS OF THE STANDARD WAGE

The introduction of the principle of wage standardization into industry may be traced to two dominant tendencies. These are first, the tendency toward standardization of the processes of production, second, the growth of collective bargaining. As a result of the first tendency it has come about that large numbers of men, members of the same craft, perform work of essentially the same kind and difficulty under conditions approximately similar. As a result of the second tendency, a natural expectancy has grown in the minds of these large numbers of men that, making exception for those who are well below or above the rest in ability or experience, the basic wage for all of them should be the same; or in other words that the wage received should not vary with the fortunes or practices of the particular enterprise in which they are employed, or with the relative bargaining power of different individuals.

It should be noted also, that this principle of standardization has served as a useful means for attaining for the whole craft the wages received by the higher-paid sections. For ordinarily demands for wage standardization in a craft or industry hitherto unstandardized, have taken the form of a demand for the general payment of the higher range of wages already being paid by some employers of the craft. The area over which standardization has been attempted has usually depended, up to the present, upon the area over which organization has extended in any particular industry; not always however. There are unions of national scope (e.g. the building trade unions) which have never tried to secure the application of the principle beyond a local area. In these it is usually true that wage negotiations are carried on on a local, not a national scale

The principle of standardization has been well defined as a means "designed to abolish within a given area the multiplicity of rates paid for similar service by the application of one standard rate for each occupation, minor differences in the nature of the work due to varying physical and other conditions being disregarded." Where the principle is applied, the possible influence on the wage bargain of the economic position of the individual wage earner, and the effect of differences of policy and efficiency of different employers, is greatly lessened. Furthermore, in the case of competitive industries, the use of this principle tends to prevent individual enterprises from gaining advantage by pressure upon wage rates. For this reason employers frequently favor the principle.

Standard wage rates are designed to be minimum rates for the occupations for which they are set—applicable to all those workers in the occupation who are at or around the average in ability and experience. It is applied under systems of payment by result as well as under time payment systems. In the first case it leads to uniformity of piece-rate scales, in the second case to uniformity of time rates. When applied under a time-payment system it is often criticized as discouraging to individual effort.¹ But whatever validity there is in the criticism may be taken to apply rather to the method of wage payment than to the principle of standardization. That would depend in part on whether the standard wage scale is well calculated. Standard wage rates are established merely as minimum rates; it is well confirmed that they do not necessarily become maximum rates, nor even in many cases approximate that result. Any satisfactory standardized wage scale recognizes all significant differences between various kinds of work and competency.² Still it is possible that the adoption of the principle along with a time-payment system does discourage the continuous manifestation of small differences in individual ability. It may also be noted that it is possible to provide for exceptions to the standard rate for workers whose ability or

¹ For example of this type of criticism directed mainly against the system of time-payment, but incidentally against the principle of standardization, take the following: "The fallacy is not an unusual one. It is proposed that there be equalization of pay. In the long run this can be achieved only by means of an equalization of effort. Practice—and there are many instances of this, for example, in recent New England industrial history—has indicated that such a policy involves a process of leveling down of skill." WILSON COMPTON "Wage Theories in Arbitration," *American Economic Review*, Vol. 3. (1916) page 709

² See note on "The Classification of Workers in an Industry." pages 397-9 *supra*.

experience is less than the average. The principle of standardization is, of course, also compatible with a seniority plan.

If the enterprises within an industry differ greatly in their method of production and their efficiency, these are grave obstacles to the satisfactory operation of a uniform standard piece-rate scale (See Case No. 9). Under such circumstances different scales are usually established for different enterprises or sections of the industry, designed to yield the same earnings to workers of equal ability wherever employed. The scales in the bituminous coal fields of the United States, for example, are drawn up partly with these considerations in mind. Such a system is, however, hard to maintain, because of the difficulty of ascertaining what differences in piece-rate schedules will yield the same earnings for the same ability and effort (Case No. 11).

It is sometimes held that there is something incompatible between the principle of standardization and the system of payment by results. The principle of standardization, it is argued, is aimed to lead all workers of a class to give the same production for an established wage income, while systems of payment by results are designed to induce workers to increase individual output and earnings. That opinion, and its significance, if true, is left for the reader's consideration along with all the others presented in the following cases.

1—REPORT—U. S. ANTHRACITE COAL COMMISSION (1920)¹

This is given as a typical illustration of a demand for the application of the principle of wage standardization within an industry.

(3) We demand that a uniform wage scale be established so that the various occupations of like character at the several collieries shall command the same wage.

The commission adjudges and awards:

The board of conciliation shall act as a commission to make a study of, and report to, the Joint Conference at the expiration of this contract, or sooner if practicable, the matter of uniformity in day rates for the several occupations of day men of the respective collieries in the anthracite field

¹ Report of United States Anthracite Coal Commission (1920). page 25.

2—STANDARD WAGE SCALE—CLEVELAND LADIES' GARMENT INDUSTRY¹

This extract is a simple illustration of a standard wage scale providing for payment by time and payment by results, and making provision for learners' rates.

Any employee enumerated in the annexed schedule during the first year of his, or her, employment in the trade, shall receive the following wages:

Men

For the first six weeks,	\$14.00 per week.
For the next 4½ months,	17.00 " "
For the next six months,	20.00 " "

Women

For the first six weeks,	\$12.00 per week.
For the next 4½ months,	14.00 " "
For the next three months,	15 50 " "
For the next three months,	17.00 " "

and thereafter the wages fixed for the particular class of work or grade thereof in which he, or she, shall be engaged.

When any employee is advanced from one grade or one class of work to a higher grade or class, the first six weeks of such more advanced work shall be regarded as a trial period only, and shall be compensated at the same rate as that received by the employee immediately prior to the advance.

From Original Award—Oct. 19th, 1918.

Piece prices shall be computed on a basis that will yield to workers of average skill and experience the rates specified for each class.

Overtime—All week workers and piece workers shall receive pay at the rate of time and one-half for overtime. For piece workers; computed as follows: total earned for the week on normal basic rate divided by number of hours of work, and for each overtime hour shall receive additional pay at one-half the regular hourly earnings.

¹ Standard Wage Scale—Effective May 1, 1921—Ladies Garment Industry—Cleveland.

Coat and Suit Industry

Male Cutters

	For week workers
Pattern Graders	\$38.00
Those who grade and cut all sizes and kinds of patterns complete.	
Full-skilled Cutters	37.00
Those who make markers, lay up, shear cut and hand cut economically, and in a workmanlike manner all raw materials that are used in manufacture of garments. Also a machine cutter, who can cut and block all raw materials.	
Semi-skilled Cutters—After 1st year	35.00
—For 1st year	32.00
Those who do efficiently some, but not all, the work of full-skilled cutters. Those whose experience is incomplete, who are doing simpler work (Lining cutters are included by decision of referees).	
Cloth and Lining Pilers—(All around pilers).....	29.00
Those who do all of the following classes of work; lay up or pile all kinds of cloth, lining, trimmings, shear cutting and hand-blocking.	
Pilers	25.00
Those who cannot pile cloth, but who can do all the other work of cloth and lining pilers.	
Canvas and Miscellaneous Cutters	23.00
Those who lay up, mark and cut by hand canvas, flannels, percalines and similar findings	

3—DECISION—WAR LABOR BOARD—WORTHINGTON PUMP CASE (1918)¹

The satisfactory application of the principle of wage standardization requires that there be a clear definition of the work for which each standard rate is set, and the establishment of a classification of the various kinds of work (or occupations) carried on within the industry. In the appendix referred to in

¹ Decision of Umpire—War Labor Board—Case of Employees *vs.* Worthington Pump and Machinery Corporation, etc. Docket No. 163. (1918).

the footnote an attempt is made to explain the principles usually followed in the development of a classification, and the difficulties which present themselves.¹

The following case is reprinted because it sets forth the main objections that may be made against the classification of work within an industry for purposes of standardization, and also the reasons and purposes which may be adduced in support of classification.

Classification

The arguments advanced by the employer against classification . . . fall under the following broad heads . . .

- 2 The classification of men by machines, which now exists, is a natural growth, and must, therefore, not be interfered with by your board.
3. Classification is too difficult an undertaking for your board, or your umpire, sitting at Washington, at such a great distance from local conditions
4. Classification if made by your board through a local investigation is too expensive
- 5 Classification will make it less easy to base wages on skill . . .

The . . . argument . . . that because the old system of classification is a natural growth no change must be made, is an argument which if taken literally would have destroyed all progress in the past. If a change is wise on its merits, the mere fact that it may change or alter a natural growth should not prevent its being adopted.

First The principle of classification by trades I believe that the principle of classification by trades is sound I base my belief on the following grounds:

A It is simple and practicable The classification of workers by their various trades, as distinguished from the present system of classification, by the various machines, is simple and practicable. It has been worked out carefully by the Emergency Fleet Corporation and the United States Navy. Although there has been considerable criticism of the minimum rates established by the Fleet Corporation and by the Navy, there has been no criticism of the methods of classification, which have shown themselves to be extremely practicable and to work well in practice.

B. It makes it easier to grade the men according to their skill. It should be borne in mind that the system of classification asked for by the workers involves: First, the division of the workers into different

¹ See note "On the Classification of Workers in an Industry." pages 397-9 *supra*.

trades; and second, the subdivision of the workers in different trades into groups, determined by the skill of the worker. For instance; there are machinists and electricians, and other trades; and within the trade of machinists there are "helpers," "handymen," or "specialists," and "machinists," based on the skill and experience of the individual worker.

This trade subdivision can be supplemented at the option of the employer by a greater number of subdivisions, also based on skill, such as first, second, and third class machinists. In other words, the men of each trade can, under this system, be graded, beginning with the common laborer who gets the minimum rate of wages based on the cost of living and going right up to the most skilled mechanic. The question of whether a man in a particular trade should be in one class or another of his trade, is to be decided, in accordance with the award of your board already agreed upon in this case, by representatives of the company and of the employees, and in case of failure, by them to agree, by your board

I am convinced, therefore, that when this system of classification is clearly understood, it will be seen to work out to the advantage of both employees and employer, as a satisfactory method of seeing that each man has his wage based upon his skill and not upon the strategic advantage which either the employer or the employee may have at the particular moment when the wage bargain is made.

C It tends toward the establishment of standards, and the ascertainment of actual facts I am convinced, from my study of this case and other data, that one of the great difficulties in the present industrial situation in the United States is lack of knowledge of the facts This lack of knowledge, and resulting confusion, is due largely to the lack of standardization in wage rates The situation in the plant of the Worthington Pump Co gives a vivid illustration of this. It is absolutely impossible for even the employers themselves to compare their wage rates with the wage rates of their competitors, because their wage rates are divided into over 60 different classes This multiplicity of classes, and lack of standardization, is at times injurious to the employees, because it enables the employers to reduce the rate of wages arbitrarily by splitting up the employees into different groups. At other times it works against the interest of the employer by preventing him from getting the data necessary, in order to have him find out whether his plant is being conducted efficiently. From the public point of view it interferes with the knowledge of wage conditions, which is essential for the passage of sound economic laws. Therefore, from the public point of view, and from the point of view of both employers and employees, anything that tends toward the standardization of wages, and toward the ascertainment of the exact facts involved, is in the opinion of your umpire a step in advance

For these reasons I believe that the "principle of classification by trades" along the lines demanded by the employees should be established.

4—DECISION—WAR LABOR BOARD—MADISON MACHINISTS CASE (1919)¹

This case does not raise a controversial issue; it merely draws attention to the fact that care must be taken that each scheme of classification is applicable to that area of industry to which it is applied.

The illustration chosen deals with a demand of the machinists of Madison, Wisconsin, for the same rates of pay as was given to the various grades of machinists in the shipyards under the Great Lakes award of the Ship-Building Labor Adjustment Board. It brought up the question of whether the men known as machinists in these industries were possessed of the same skill and performed the same work as the machinists in the shipyards. Or in other words, whether the classification made for the shipyards applied to the machinists at Madison. In this case the War Labor Board decided to the contrary, and therefore the demand for inclusion in the wage standardization scheme for the shipyards lost its force. Each case of this sort, calling for the extension of a system of classification and standardization can only be satisfactorily decided, of course, on the basis of its own facts.

The demands the employees made of each company were identical and were submitted early in the month of June, 1918. In brief, they are as follows:

1. An increase in the minimum wage rate equal to that granted by the Great Lakes shipping award . . .

10. That if there be an award based on the Great Lakes shipping schedule, as of April, 1918, that any increase granted in that industry prior to February 1, 1919, shall automatically apply to the Madison plant.

These demands were refused by the employers, and there were strikes in a few of the plants, which were terminated on the agreement of submission.

Madison is not what is known as an industrial center. It is a city of about 38,000 people, located in the midst of an agricultural region, about 80 miles west of Milwaukee, Wis., and about 140 miles northwest of Chicago, Ill. It is the capital of the state, and the seat of the University of Wisconsin. There are no large manufacturing cities near Madison. . .

¹ Award—United States War Labor Board No. 195 in *re Machinists et al. vs. Employers of Madison, Wisconsin* (1919).

The manufacturing industries in Madison are comparatively small, employing relatively few men. The workmen are engaged in special employment, not comparable in all respects to the classes defined and outlined in the Great Lakes award. Many of the employees in Madison have continued with the same factory for years, having no previous experience. Many, if not most of them, were recruited from farms, railroads, or other activities in the region. Separated from the particular employment in which they have specialized for years they would have no particular fitness for employment elsewhere. That is to say, employees called machinists, etc., are not those who have had years of apprenticeship and who could take a set of blue prints and erect a machine. They have learned to operate a particular machine to produce a certain article or part of an article. It is true that in some factories in Madison there are a few men who could qualify as machinists, molders, etc., in the accepted meaning of the terms, but for the most part such workers are employed as foremen or superintendents. It would no doubt be possible to classify the employees in each industry in Madison, but the result would not, under present conditions, lead to uniformity of wages as between the different industries, or conduce to greater equality of payment or circumstances respecting employment. . .

5—AWARD—U.S. SHIPBUILDING LABOR ADJUSTMENT BOARD (1918)¹

During the war, the demand for wage standardization in the United States was stronger than ever before and the principle was applied on an unprecedented scale. The experience in the shipbuilding industry sets forth well the arguments by which the principle is usually defended, and illustrates the conditions which most favor its adoption.

The decision printed below was the last of a series which established a national standard wage scale. The interpretive comment which is appended is taken from a report made by two men who successively served the Shipbuilding Labor Adjustment Board as Executive Secretary; they illuminate the circumstances which led to the adoption of the principle on such a general scale.

THE AWARD

SECTION 1. Introduction.—(1) Reasons for a national wage scale: The principal characteristic of the following decision for Atlantic coast, Gulf, and Great Lakes shipyards and the decisions we are issuing simul-

¹ United States Shipbuilding Labor Board Atlantic Coast, Gulf and Great Lakes Award (1918), "Codification of the Shipbuilding Labor Adjustment Board Awards, etc." H. M. Jenkins, Washington Government Printing Office (1921), pages 235-6. Explanatory comment from "History of Shipbuilding Labor Adjustment Board" Hotchkiss and Seager Washington Government Printing Office (1921) pages 92-3.

taneously for Pacific Coast shipyards is that they establish uniform national rates for practically all of the skilled trades. We have adopted these uniform national rates because experience has convinced us that by this means only can we put a stop to that shifting of employees from yard to yard and district to district which continues to be a chief obstacle to efficient ship production. Added arguments for uniform national rates are that citizens working for the Government—and work on ships is now essentially Government work—feel that they should all be treated alike; that there are no longer any marked differences in the cost of living between different sections; and that the Federal Employment Service, rather than divergent wage rates with their unsettling tendencies, should be relied upon to effect whatever shifting of wage earners is necessary to the carrying out of the war program. It is a special gratification to us that this change, which we believe to be in the national interest, was unanimously requested by the international and local representatives of the shipbuilding crafts who came before us in the hearings which preceded this adjustment.

In substituting uniform national rates for the shipyard employees in the different crafts for the diverse rates previously established, so far as this seemed practicable, we have not always been able to give full weight to local conditions. Since the results will be of benefit to the great majority of the employees affected, we feel confident that the minority, who may be less benefited, will cheerfully accept the change in the interest of the greatest good to the greatest number . . .

EXPLANATORY COMMENT¹

Standardization of Wage and Labor Conditions

Another important problem on which the board's experience should throw light concerns the extent to which the standardization of wage and labor conditions is a desirable aim. In the situation in which the board found itself from month to month, there was little opportunity to consider whether further standardization would or would not be advantageous. The demand for it from the side of the employees was well-nigh irresistible and as long as the work was being done for the Government and the Government was in the last analysis paying the bills, there seemed no good reason why this demand should not be complied with. Little by little any preconceptions the members of the board may have had against standardization were swept aside by the progress of events. The active competition for the inadequate supply of skilled shipyard workers among the Pacific coast districts and the high turnover and general unrest that resulted made the case for a uniform Pacific coast scale seem convincing as soon as the board acquainted itself on the spot with conditions.

On returning east and taking up the problem of adjusting wages for the Delaware River yards, one member of the board was already con-

¹ Editor's Heading.

vinced that a uniform scale for the whole country offered the only effective means of stemming the rising tide of industrial unrest. This policy was not at once adopted, but the scale determined upon for the Delaware River yards was rapidly extended to the other eastern districts, so that by April, 1918, there was substantially one Atlantic coast, Gulf, and Great Lakes scale. Developments during succeeding months made the board unanimous in deciding to embody in its October, 1918, awards uniform scales for nearly all occupations for all the shipyards of the country.

The arguments for standardization which brought about this result were chiefly psychological. From the point of view of the workers affected the case stood thus. They were engaged in producing ships to assist the Government to win the war. The Government was not only paying for the ships but was a party to an agreement with the heads of the shipyard unions which provided that wages and working conditions should be fixed by a board. Experience had already convinced the organized workers—and the proportion organized was growing by leaps and bounds—that their interests were best served by having standard or union rates of wages for each craft in each locality. Why should not such standard rates, not now union but board rates, be established for all of the yards of the country? The ships were being built for the Government and the Government was paying for them. What justification was there for paying at different rates for identical Government work, whether it was performed in the South or in the North, on the Atlantic or on the Pacific? If bringing wages to a level had meant leveling them down there would undoubtedly have been strong opposition, but it was a time for leveling up. Under the circumstances the causes which had brought about existing differentials in favor of the Pacific as contrasted with the Atlantic or of the north Atlantic as contrasted with the south Atlantic were impotent compared with the forces that were pushing toward uniformity on a national scale as a means of achieving a great national purpose.

The case was somewhat less convincing to the shipyard employers than to the men but their experience brought them, also, to favor uniform rates. There was a shortage of competent shipyard mechanics the country over. The first impulse of the individual employer under these circumstances was to offer higher wages to attract employees from other yards. But this was so obviously a game at which two could play that the larger yards quickly realized that new men must be trained for the industry. From an early period the intelligent, progressive owners, therefore, favored a policy that would prevent yards drawing employees away from one another and so stabilize conditions that the new men that they trained themselves would continue in their employment. . . .

6—ORDER—MINIMUM WAGE BOARD—DISTRICT OF COLUMBIA (1919)¹

7—AWARD—ARBITRATION COURT—NEW ZEALAND—BRICKLAYERS' CASE (1922)²

The classification scheme on which wage standardization is based usually gives recognition to varying grades of skill within the same craft. Furthermore, under all standardization arrangements the way is left open for individual workers of exceptional ability to bargain with the employer for more than the standard wage for his craft or grade. Likewise, almost all of them make allowances for individual variation of ability in the opposite direction; that is they permit those workmen who have clearly less ability than the average of their craft or grade to work for less than the standard wage. This is illustrated by the two extracts printed below—one an extract from an order establishing a standard minimum wage for women, the other from an award establishing a standard wage for men in the building industry. Most trade unions, in practice, permit old or infirm members to work below the established standard wage. The purpose of this permission is, of course, to guard the employment of these under average workers.

6—ORDER—DISTRICT OF COLUMBIA—MINIMUM WAGE BOARD

1. No person, firm, association or corporation shall employ an experienced female, irrespective of age, in the printing, publishing or allied industries at a lesser weekly wage of less than \$15 50 .

2 The term "experienced female" as used in this order, means one who has been employed in these industries one year or more

6. A license may be issued by the Board to a woman whose earning capacity has been impaired by age or otherwise authorizing her employment at a rate less than the minimum, such special rate to be fixed by the board . . .

7—AWARD—NEW ZEALAND BRICKLAYERS

Under-rate Workers

5 Any worker who considers himself incapable of earning the minimum wage fixed by this award may be paid such lower wage as may from time to time be fixed, on the application of the worker after due notice to the union, by the local Inspector of Awards, or such person

¹ Order No. 2 Printing, Publishing and Allied Industries—Minimum Wage Board—District of Columbia (1919).

² Award Court of Arbitration, New Zealand, Wanganui and Rangitikei District Bricklayers (1922).

as the Court may from time to time appoint for that purpose; and such Inspector or other person in so fixing such wage shall have regard to the worker's capability, his past earnings, and such other circumstances as such Inspector or other person shall think fit to consider after hearing such evidence and argument as the union and such worker shall offer. . . .

(d.) It shall be the duty of the union to give notice to the Inspector of Factories of every agreement made with a worker pursuant hereto.

(e.) It shall be the duty of an employer, before employing a worker at such lower wage, to examine the permit or agreement by which such wage is fixed.

(f.) The proportion of under-rate workers shall not exceed one to every three fully-paid journeymen, or fraction of three after the first three.

(g.) No such permit shall be granted to any person who is not usually employed in the industry to which the award applies, nor at less than the rate of wages for builders' labourers, as provided by the Wellington Labourers' Award.

8—DECISION—LABOR ADJUSTMENT BOARD—ROCHESTER CLOTHING INDUSTRY (1919)¹

Whenever it is proposed to introduce the principle of standardization into an industry or occupation hitherto unstandardized, it is asserted that prevailing differences in individual time wages are due mainly to individual differences of ability—and that it is both unsound and unpracticable to try to reduce them by the establishment of a standard minimum

This decision raises that question, as does almost any dispute over the introduction of the principle of standardization. It is at least as much a question of fact as of policy. Each decision should, therefore, rest upon the facts which enter into the case.

The contention of the Union was, that these five groups of workmen are all skilled tradesmen and they had three main grounds of complaint:

1. For the same kind of work, different men receive different rates of pay, ranging anywhere from \$24.00 to \$35.00 per week. . . .

As for the inequalities in rates of pay for different workers in these five groups, the Labor Managers contended that this was partly an inheritance from the past and partly represented different amounts of skill and different amounts of work turned out by the different men.

After going over all the evidence and the arguments, the Chairman was convinced that there is no great difference in the amount of product

¹ Decision—Labor Adjustment Board—Rochester Clothing Industry, Case No. 2. (1919).

turned out by those who are now receiving only \$25.00 and \$26.00 and those receiving \$29.00 or more. These inequalities in rates of pay for different men doing the same kind of work seem to be the underlying cause of dissatisfaction among the workmen who entered the complaint. In the judgment of the Chairman it is important to remove this cause of dissatisfaction, particularly because among the Cutters, Operators and Pressers there does not appear this wide range of payment for the same kind of work. In line with the tendency toward standardization of wages in other occupations, which was admitted by the Labor Managers. The Chairman believes that the wages of these workers should also be made more nearly alike. . . .

9—HISTORY—SHIPBUILDING LABOR ADJUSTMENT BOARD¹

The result desired, when the principle of standardization is used, is that men of equal ability doing the same work with equal efficiency, should receive the same pay. Under a uniform standard piece-rate schedule, it is plain that this result will only be obtained when the conditions affecting individual production in the various enterprises concerned, are substantially the same. Otherwise inequality of earnings will be the outcome. The following account of the experience of the Shipbuilding Labor Adjustment Board with a uniform piece-rate scale is an instance of such a result

The authors raise the general question—whether there “is a fundamental incompatibility between the idea of piece-rates and the idea of standardization.”

There is appended an interesting account of the process by which the uniform piece-rate scale was drawn up, which is printed as an illustration.

Standardization of Piece Rates

Convinced of the wisdom of standardizing the hourly rates of wages, so that men doing the same work would command the same rate of pay in whatever yard the work was performed, the board allowed itself to be persuaded that standardizing piece rates for the occupations in which piecework prevailed would also prove advantageous. Such standardization was first effected for the Delaware River and Baltimore districts. From here it was extended to the whole North Atlantic, and, with modifications to the Great Lakes. Although efforts were made to standardize piece rates also for the Pacific coast yards in the autumn and winter of 1918-19, the plan encountered so many obstacles that it was never carried out.

¹ Hotchkiss and Seager—“History of the Shipbuilding Adjustment Board.” Washington Government Printing Office (1921). pages 36, 94-6.

No part of the awards made by the board proved more difficult to enforce or caused so much friction and unrest as the decisions in reference to piece rates and the compensation of pieceworkers. Reviewing the whole experience, it is now apparent that the inherent difficulties opposing the attempt to standardize piece rates were too great to be overcome. In fact, it is not too much to say that there is a fundamental incompatibility between the idea of piece rates and the idea of standardization. The whole purpose of piece rates is to stimulate production by making a direct financial appeal to the individual to turn out the largest product of which he is capable. The purpose, on the other hand, of standardization is to make the worker satisfied that he is receiving in the place in which he is employed as much as he could command for the same work elsewhere, reliance being placed upon the pride of the workman in his work, his ambition to rise to a higher position, and the stimulus of the foreman directing his labor to keep his output up to a maximum. Standardization, as regards hourly or day rates with its inevitable tendency to weaken the direct financial incentive to the worker to increase his output was wise public policy during the war, because it was the only policy which could be adopted and defended as a basis for the regulation of wages by a national board and because it could be supplemented by the patriotic appeal that was continually made to the workers to do their best to help the Government win the war. By adopting it the board put itself in a position where it could say that it was treating all the workers alike.

Standardization as regards piece rates could offer no such justification. By taking from the employer control over this method of compensation it prevented him from so adjusting piece rates to day rates in his plant that his pieceworkers would feel the urge of financial gain sufficiently to speed up production and yet would not be able by so doing to increase their earnings to an extent that would make day workers dissatisfied. It could not be claimed by the board that by standardizing piece rates in all the yards in a district it treated all of the pieceworkers alike. On the contrary, it was soon demonstrated that because of the marked differences in efficiency of equipment and management among the yards, such a policy resulted in treating them quite differently. In the better equipped and better managed yards pieceworkers paid in accordance with the board rates could earn much more than equally able workers in the less well equipped and well managed yards. Thus, instead of creating the feeling that all were treated alike, standardization of piece rates, when pay envelopes were compared by workers in different yards, fostered the suspicion that favoritism was being shown. Under the plan the better yards tended inevitably to attract skilled and ambitious pieceworkers from the poorer yards. To hold their men the poorer yards were under an almost irresistible temptation to offer more than the authorized rates either directly or through some subterfuge like the allowance system. The board believed that a uniform piece-rate scale would spur the poorer yards to bring their equipment and management to the level of the best. It undoubtedly did have the tendency, but the obstacles to be overcome were too great

and the period of the war was too short to permit the results of the tendency to show themselves very conspicuously. The quick way to equalize conditions was by paying above the board rates, and this was done on a scale that far outweighed any of the expected advantages from standardization.

The alternative to the standardization of piece rates that was seriously proposed to the board by some of the labor representatives was the abolition to piece rates. To do away with the method of wage payment that most of the yard owners deemed most conducive to the speedy production of ships seemed, however, too radical a measure in the face of the war emergency. Standardization was attempted instead because it involved a less sweeping change and because there was such widespread dissatisfaction with prevailing piece-rate systems. It was perhaps the best plan that could have been chosen under all of the circumstances. If, however, the regulation of wages by a board in plants that are both widely separated and of varying degree of efficiency is to be undertaken as a regular and continuous policy, it may confidently be concluded from the Shipping Board's experience that the wages of all employees should be placed on an hourly or daily basis and other methods relied upon to stimulate the workers to increase their output. Methods of payment related to the individual output of the worker, like the piece method or premium method, must, to operate fairly, be worked out for each individual plant. They, therefore, can not be made part of a policy of wage regulation for numerous plants through a board without giving rise to continuous friction and dissatisfaction. In certain industries, like coal mining, the difficulty may be, and is, overcome through fixing a fair piece rate for one plant or mine and using that as a basing point, rates in other plants or mines varying from it by what are considered fair differentials. But for a rapidly evolving and changing industry like shipbuilding during the war, decisions in regard to fair differentials could hardly be made rapidly enough to adapt themselves to the ever new situations.

The issue in regard to piece rates which proved so troublesome to the Shipbuilding Labor Adjustment Board presents itself in connection with the problem of collective bargaining in every industry in which the piece method of payment has been employed. While many collective agreements including piece rates are regularly made, there can be no question that the attempt to embrace them in a collective bargain affecting many plants greatly complicates the problem. This difficulty of adjusting fairly piece rates in a number of different plants as part of a standard wage agreement, rather than objection to having each employee rewarded according to his individual capacity, is a principal reason for the well-known preference of experienced labor leaders for hourly or daily rates.

Standardization of Piece Rates

As a basis for the standardization of piece rates, the board first secured from the different yards the piece-rate scales in effect at the

time of its hearings and from the organized pieceworkers a statement of their demands. This information was not always comparable since different yards used different methods of describing the work to be done. It proved necessary, therefore, to request the joint committee of the representatives of the yard owners and the organized employees to agree upon a uniform description of the different kinds of work to be covered by the piece-rate scales, and to submit this in turn to the yard owners and to the pieceworkers for a restatement of their current rates and of their demands, respectively. All of the information so secured having been tabulated, conferences were held, under the chairmanship of the secretary of the board, with joint committees representing the yard owners and the different piecework crafts to secure as far as possible joint recommendations as to scales of piece rates that would be fair and reasonable under all of the circumstances. Both sides showed an admirable desire to agree upon a fair scale of rates, and such merit as the scales finally approved by the board may have had ways largely due to the work of these joint committees, whose sessions were often continued late into the night.

The joint recommendations of these conference committees, or separate recommendations, when the two sides could not reach an agreement, were carefully considered by the board, after it had decided upon the hourly wage rates to be fixed. With some modifications the joint recommendations were approved and proportional rates fixed for work for which no joint recommendations were forth-coming. The publication of uniform piece-rate scales for riveting, chipping and calking, drilling, reaming and lining up as appendixes to the decision of February 14, 1918, brought the proposed rates for the first time to the attention of all the yard owners and pieceworkers concerned. Naturally many objections and criticisms were raised, and not a few errors were discovered. The board considered these in the rehearing on the Delaware River decision on February 26, made such modification and corrections as were proved fair and reasonable, and incorporated them in the first edition of the "black" or "piece-rate" book, the proof of which was held up until the scales could be put in final form.

10—DECISION—BRITISH INDUSTRIAL COURT—MACHINE RIVET TRADE (1921)¹

The preceding decision raised the question of whether the adoption of a uniform schedule of piece-rates may not often result in inequalities of individual earnings based not on differences of individual skill and effort, but on differences in the conditions affecting the production of workers in different enterprises.

To meet this difficulty various industries have adopted a scheme by which the piece-rate schedule is fixed separately for

¹ Machine Rivet, Bolt and Nut Trade—Scotland Decision No. 545. British Industrial Court Decisions Vol. 3. Pt. 2. (1921). pages 107-8.

each enterprise—the end sought being equality of earnings. The following decision illustrates this practise.

Terms of Reference

(1) That standard piece rates be introduced and that such rates, if and when fixed, be made applicable to the works of all Scottish firms. . . .

1. The matter was referred under the Industrial Courts Act, 1919, by the Minister of Labour to the Industrial Court for settlement and representatives of the parties were heard in Glasgow on 19th October, 1920.

2. The workers are engaged in the manufacture of rivets, nuts and bolts by machinery and for the most part are employed on piecework . . .

5. The various items of the claim are dealt with in order:—

Item (1). This item of the claim was urged on two grounds. first, that it was desirable that a uniform list of prices should be observed by all the firms concerned; second, that such piece prices should be paid, without deduction, to all workers. On behalf of the employers it was stated that different types of machines are in use and that the general facilities for performing the work differ as between the several establishments. In consequence the output that can reasonably be expected of an ordinary worker is not uniform. It was also submitted that where learners are employed on a machine the normal output of the machine is not secured and the employer in consequence incurs some loss towards which the deduction from the usual piece price is some compensation

The Court are of the view that the introduction of standard piece rates is desirable only if the work is done under substantially uniform conditions. Where conditions are not uniform a standard list might result in great inequality of earnings. On the evidence before them the Court are not satisfied that the requisite uniformity exists, but they consider that the matter might well be the subject of further discussion and investigation by the parties.

11—DECISION—LABOR ADJUSTMENT BOARD—ROCHESTER CLOTHING INDUSTRY (1921)¹

In the Rochester Clothing industry, the piece-work scale is settled separately for each enterprise—with the object of ensuring *equality of earnings* to workers of equal skill, etc.—no matter

¹ Award, Case No. 36. Fashion Park—Rates for Cutting. Labor Adjustment Board, Rochester Clothing Industry (1921).

in what enterprise employed. The difficulty presented by that arrangement is that the different piece-work scales are always subject to comparison, and since at best they are based on rough data (subject to constant change besides) the comparison is often apt to seem unfair to those workers employed on low rates, and indeed, sometimes may be.

The following case is an instance of the type of dispute which arises constantly under the arrangement described. Such disputes, since the facts to be taken into consideration are complex, infinitely variable and difficult to ascertain, can only be settled satisfactorily if a spirit of honesty, good-will and compromise prevails.

Incidentally this case illustrates the fact that piece-rate schedules must be constantly revised as processes, and the work to be done changes; it suggests the limits of practicableness of all systems of payment by results.

This is a request from the Union for a complete revision of the scale of piece prices for cutting. The reasons for the request are stated as follows.

"It is contended by the cutters that the firm at the beginning of the current light weight season introduced such changes in the quality of cutting that their earning powers were seriously decreased. No adequate compensation has been made for the decreased earnings caused by these changes. It is further contended that the quality of workmanship now required from the cutters equals that of the best houses of this market; that the present base rate of seventy-five cents per single suit; plain goods, standard model, is therefore unjust, inadequate, and tends to upset the market.

A comparison with the rate of Hickey Freeman Co. will make this clear. Thus at Hickey Freeman Co. with a rate of ninety-one cents per single suit, forty-five cuts earns forty-one dollars; where as in Rosenberg's it requires fifty-six cuts to earn forty-one dollars; that is to say, eleven cuts more per week, or figured in time, it means that a cut must be made every forty-seven minutes. To earn the twenty-five per cent above the week worker as a piece worker should, it requires a cut every thirty-eight and three quarter minutes or sixty-eight cuts per week. This is a terrific pace and can be maintained only by men of extraordinary speed.

We contend that the fact of the earnings of the cutters in question still being fairly high, has no bearing on this case, because of the fact that it has been the consistent

policy of the management in hiring cutters for a long period to make a careful investigation of the record of a cutter applying for a position, to ascertain his productive ability. Only the fastest men of the fast men were selected so that this force is a picked one and far above the average in their productive ability." . . .

The Union evidently thought that a complete revision of the price schedule was justified and if such a revision were made, all the questions in dispute would be automatically settled. The employer, on the other hand, contends that there is no justification for a revision of the piece prices except where changes in the work have taken place and in respect to such changes, the firm is ready to make whatever allowances or changes in piece prices are necessary to compensate for changes in the work.

In regard to the request of the Union for a complete revision of the piece price schedule at this house, on the ground that the piece rates are lower than in other houses, the Chairman must rule that he has no authority to change the schedule. If he could change the schedule in one house because the rates happened to be lower than in another house, he would also have to change the schedules in the houses which had higher rates when the employer complained that these rates were too high and wanted to reduce them to the levels of other houses. The agreement provides that changes in wage scales shall be made by the Union and the employer or by arbitration before the beginning of a season and once such a wage adjustment has been made, no further changes are authorized by the agreement except where serious and unjust inequalities exist. Before a case of serious and unjust inequality can be heard by the Impartial Chairman, however, it must be considered by the Labor Adjustment Board in full session and the Board must authorize the Chairman to hear such a case.

In the present case no questions of serious and unjust inequality can be raised because the earnings of the cutters in this house are not lower than in other houses. On the contrary they are higher than in other houses. And while it is true that there was a drop in earnings at the beginning of last season, towards the end of the season the earnings rose to the previous level and in some cases went even higher.

The general rule in considering cases of serious and unjust inequalities as well as in fixing piece rates has been to use the earnings of the workers as the primary consideration and not the rates. No other rule can be followed because rates in no two houses are the same and the work in different houses differs so that if rates in all the houses were equalized, it would result in very different earnings in different houses for workers of practically the same skill.

The main purpose of the parties to the agreement in fixing the wage levels for the market is to secure substantially the same earnings for workers of equal skill and who exert about the same amount of effort in the various houses. On account of the different systems of working and the different methods of management in the various houses, the same amount of effort may result in different amounts of output; so if one house has a great investment in planning, in routing, in arranging and dividing its work, the number of pieces turned out for the same amount of pay may be greater in such a house than in another which does not make such a large investment in management. To equalize the rates in such a case would give to workers in the first house for the same effort, much larger earnings than the workers in the second house. This would not only cause a serious and unjust inequality among the workers but it would also discriminate against a house which is progressive and trying to make improvements.

For these reasons the rule has been adopted and uniformly enforced in this market, as well as in other markets, that the earnings of the workers must be the primary consideration in rate fixing and not the equality in the rates of different houses. The request of the Union that the entire scale of piece rates for cutting in the house should be raised because it is lower than in some other houses must therefore be denied.

The evidence in the present case did show, however, that some changes in operations have been made by the firm. For these changes where they involve additional work, the cutters have a right to ask for additional pay or allowances of time. Some adjustments have been made between the firm and the cutters on this basis but the cutters claim that others have not been considered. The proper procedure in such cases is for the cutters to take up their claims with the labor manager as all other piece workers do when changes in work take place and if no agreement is reached, then complaint should be filed with the Impartial Chairman on the specific cases of changes in work requiring adjustments in rates.

SECTION 2

WAGE STANDARDIZATION AND THE COMPETITIVE SITUATION WITHIN AN INDUSTRY

One of the strongest arguments for the use of the principle of standardization is that it tends to put all competing units of an

industry within the area of standardization in a position of equality in respect to the wages paid for the various kinds of labor employed. When wages are standardized no competitive advantage can be secured by the payment of wages lower than those paid by competitors (if that does confer a competitive advantage in the long run?). This, it is argued, is of advantage both to the workers and to the more efficient firms in the industry, which can pay the comparatively higher rates. It is assumed in this argument, that the level of standardization, the uniform wage scale adopted, will be that which the more efficient units can afford to pay, rather than the contrary. When the level of standardization is determined by arbitration or adjudication such is usually the case; when the matter is left entirely to collective bargaining it tends to be decided by the relative bargaining power of workers and employers.

The attempt to put all the competing units within an industry upon a standard-wage level gives rise to a variety of situations in which neither workers or employers have in the past maintained a strictly consistent attitude, as regards standardization. The workers support the principle whenever it can be used as a device to maintain or increase wages at any or all points within an industry; the employer supports it, if, when, and as it serves to protect their position.

Briefly we will attempt to summarize the most important situations that arise: 1) Wage rates for the same work may be higher at some points within the industry than at other points. In which case: a) the workers may seek to secure the payment of the higher wage rates throughout the industry, and employers paying the lower rate may demand that the differences continue (Case No. 13), b) the employers paying the higher rates may seek a reduction to the lower wage level, and workers may demand the continuance of existing differences or the leveling of wages up to the higher level (Case No. 15). 2) Wages may be standardized throughout an area of industry, in which case, a) some firms of the industry may seek reductions from the standard wage level (Case No. 16), b) some workmen may seek advances over the standard wage level (Case No. 20).

This is an over simplified summary of the situations which arise as will be seen by an examination of the cases which follow—especially if there is strong labor organization at some points

within the competitive area, and no organization at others. Then controversies over this matter of the competitive position of different enterprises occur constantly. The following cases are intended to illustrate the questions which present themselves in the preceding situations, and to bring them under discussion.

It should be remembered while considering these cases, that above and beyond all reason on the subject, the principle of standardization as it is used in wage controversies today is a device or instrument used by groups to advance their interests. The arguments for or against the principle which are put forward by opposing sides in any particular case are almost invariably selected and composed to serve those interests. But this tends to be true of all wage arguments.

12—RESOLUTION—CIGAR MAKERS INTERNATIONAL UNION (1920)¹

The trade-union resolution reprinted below illustrates a demand for wage standardization which is aimed at putting all competitive enterprises within the industry in a position of equality in respect to wage rates, and thus to avoid favoring those enterprises paying lower wage rates.

"Whereas, the cigar makers in local unions are working at prices in some instances ten to twenty dollars cheaper per thousand and lower than cigar makers and unions of different localities, and, Whereas, cigar manufacturers are taking advantage of the situation, moving their factories or establishing branches of them in cheaper districts . . . and, Whereas this is detrimental to the welfare of the cigar makers and detrimental to the principles of the Cigar Makers' International Union be it resolved by this Convention that the Cigar Makers' International Union adopt as one of it aims the securing of a uniform bill of prices, taking into consideration all the local conditions and necessities of the trade and local interests of the cigar makers, etc." . . .

13—DECISION—SOUTH AUSTRALIAN INDUSTRIAL COURT—FURNITURE TRADES CASE (1918)²

This case deals with a demand for the establishment of a uniform standard wage throughout the whole of a competitive industry. Such demands ordinarily give rise to fears that the

¹ Resolution No. 18 offered to the 1920 Convention, Cigar Makers Official Journal, May 15, 1920.

² Furniture Trades Case. Case No. 28 (1918). South Australian Industrial Reports, Vol. 2. (1918-1919). pages 200 *et seq.*

enterprises at particular points may suffer. In widely scattered industries in the United States and Australia—federal states—the question is often presented as one of interstate competition; but the matters to be considered are the same whether the competition is interstate or not.

The long decision reprinted below was rendered by the South Australian Industrial Court; all of the matters which came before the Court for consideration could be easily duplicated in the United States. The reader must not be put off by the local character of the references, etc., must transpose them into American terms.

It is reprinted because it brings into the sphere of attention most of the considerations that may arise when an attempt is made to standardize wages in a competitive industry located at widely scattered points. As with all other cases in this book the reader is expected to form his own opinion on the question at issue, taking the facts as stated by the impartial judge.

Economic Aspects of Federalism

The danger which threatens this State must be admitted. It is, in my opinion, much greater, and involves a graver menace to the community at large, than is usually realised. The aim of Federal Government is to reconcile democratic institutions with large areas, by the establishment of dual systems of political control—local for local concerns, central for concerns of common interest. The Australian Federal Constitution has an economic as well as political object. That object is to secure the absolute freedom of trade, commerce, and intercourse throughout Australia. I take the object as one which must be accepted as a plain, indisputable, and unanswerable fact. .

Interstate Free Trade and Local Manufacturers

I turn to consider the causes why freedom of trade between State and State, which has so many obvious advantages, should involve a peculiar menace to South Australian manufactures. The more obvious causes are the proximity of other capital cities to the sources of supply of raw material, the shipping facilities of large ports, the possibilities of large-scale business organisation in more popular centers, as illustrated, for example, in large and therefore cheaper purchase of raw material, the more effective organisation of industry, and a greater or more effective specialisation and standardisation. The possibilities of large-scale business organisation, so far from declining in the near future, are, on the contrary, likely to develop with ever-increasing momentum.

Another factor is the superior marketing facilities enjoyed by manufacturers in large centers of population. With a big local market close at hand, it is possible to establish an industry or a business for the supply of the local market, and then to secure its expansion by the gradual annexation of markets elsewhere, if necessary, by selling goods at less than the cost of production. Much evidence was given in the present proceedings of the extent to which Melbourne furniture, generally of inferior quality, had been placed on the Adelaide market.

The advantages naturally appertaining to larger centres of population like Melbourne and Sydney, as compared with Adelaide, of course vary according to the nature of the industry. In industries where freight is high in relation to the cost of production, the danger of interstate competition may be negligible. In some industries the balance of advantage may even be in favor of the local manufacturer. For example, where the size of the business unit, that is to say, the maximum of size compatible with the attainment of maximum efficiency, is small, the advantages of large-scale organisation are negligible, and other advantages may be more than compensated for by the fact that the local manufacturer is on the spot. But the "business unit" is an economic abstraction which varies from time to time. Mechanical and scientific discoveries, and the progress in the science of business organisation, tend, in most industries, to emphasize the advantages of large-scale organisation. Again, while the importance to be attached to the superior marketing facilities enjoyed by the larger centres of population necessarily varies with the industry, the evidence in the present proceedings went to show that, so far as the furniture trade is concerned, Melbourne by virtue of its larger market, is in a position to establish a large number of relatively small businesses which specialise in certain lines. Such specialisation involves the advantages of standardisation, and enables Melbourne concerns, after having secured the Melbourne market for a much larger order than could be placed in Adelaide, to dump a surplus in Adelaide at prices with which local manufacturers are unable to compete

Outlook for Local Manufacturers: Employers, Employed, and the Community

South Australia must face the facts just outlined, and consider what they mean, and whither they trend. With all due reservations, this State has to contemplate *the possibility of a great wave of interstate competition in comparison with which present conditions may be regarded with complacency. . . .*

The Proposed Remedy of Small Returns to Employers

The representative of the employees, confronted by interstate competition as a serious and indisputable menace to the future of the manufacturing industries of this State, yet instructed to ask for a very

material increase on an existing wages bill, sought to minimise the danger so far as it threatened the particular industry now before the Court. He appeared to think that increased wages could come out of profits without undue restriction of fair returns to the employer. I shall consider the profits of the particular industry now before the Court when I deliver final Judgment. For the moment I am concerned with the general aspect of the proposal to conserve local manufactures by means of a retrenchment of profits. It may be conceded that the day of socially uncontrolled profits, and "no questions asked" is past. Industrial Courts already qualify a "capitalistic" tendency to exploit the wage earner; various forms of price control, ostensibly in the interest of consumers, necessarily involve a measure of public control over profits; and new devices for taxing profits in the interest of the community develop from day to day. But all such forms of limiting profits are in force in other States as well as in this State. They are therefore of doubtful relevancy with regard to the problem of maintaining local industry. If, however, the forms of controlling or limiting profits were to take an abnormally intensive form in this State, probably the result would be to accelerate the drift of capital elsewhere. That employers in South Australia should be contented with much lower profits than are obtainable in Melbourne and Sydney was implicit in the extent of the various claims for high wages. But what employers ought to do is one thing; what they may be naturally expected to do is another thing. The interests of the community are imperilled unless what are considered fair returns to the employer, if not actually existing at a particular time, may be reasonably anticipated to exist in the near future. The relevancy of the statement in connection with claims for greatly increased wages is apparent. When we remember that even capital is not destitute of fluidity, it must be obvious that the remedy suggested on behalf of the employees, whatever may be said in a particular case fails to offer a reasonably adequate solution of the general problem of conserving the manufacturing industries of this State.

The Proposed Remedy of Low Wages

The employers also had a remedy—economies in the wages bill. It was argued in substance that if Adelaide had to compete with Melbourne . . . For immediate purposes it is sufficient to say that the remedy proposed by the employers, if regarded as a principle of general application, so far from conserving local industries, would tend to effect their gradual extinction. True, the wages bill is a very large, though varying item in the cost of production. But economies effected by retrenchment of this item would naturally lead to the gradual migration of labor to Melbourne or Sydney. In the course of the hearing of the present case it was argued that employers could be trusted to make necessary increases on the minimum as occasion demanded. The evidence also went to show that wages materially above the Wages Board minimum had actually been paid in the industry generally. But

in so far as employers endeavor to retain their workmen by paying wages sufficiently high to neutralise a tendency on the part of the employees to gravitate to Melbourne or Sydney, the argument about saving the situation by low minima in Adelaide loses much of its force. . . .

But even disregarding the limitations thus suggested, an argument remains which vitally concerns both the community and employers. I refer to the national prestige or repute. The well organised Australian labor market takes its standard of wages in the different states from the legal minimum. A state in which industry sought to balance its ledger by low minima would be doomed to become economically inefficient. To meet interstate competition by low wages may be practicable at any time, for a time, so long as the local labor market is favorable. As a policy of general application, and taking wages as meaning real wages, the suggestion of preserving local industry by low wages is worse than futile. It is an important, though unrecognised, part of the functions of an Industrial Court to act as a sort of watchdog, whose duty it is to sound the alarm if the general level of wages in the State is such as to invite very unfavorable comparison with other States. . . .

Summary Statement of Postulates Which Condition Adequate Remedies

Whatever importance may be attached in the present case to the remedies suggested by the parties, I am quite unable to regard them as a means of enabling this State to cope with interstate competition in manufactures generally. They are panaceas which may have some value in a particular industry at a particular place for a time, but which, if regarded as admitting of general application, would only tend to precipitate the catastrophe they affect to avert. While the determination of the rates of wages in a particular industry should be made with all due regard to the special circumstances of that industry (including, it may be, the ratio of transport costs from other States to the local costs of production), the code of principles which is to be of general application must be based on a clear recognition of certain postulates, some of which may offend employees, others employers, others again, both the employers and the employees. These postulates are—(a) the continuance of interstate free trade (and possibly, if not probably, increased facilities of interstate transport); (b) the continuance of most, if not all, of these advantages enjoyed by Sydney and Melbourne as compared with Adelaide, to which I referred in my diagnosis of the causes of the danger to local industry, that is to say, the tendency of capital to drift to centres where the highest returns are possible; (d) a continuance, if not an increase, in the operation of supply and demand in the labor market throughout Australia involving a gradual drift of the better craftsmen towards centers of population where the best wages and conditions prevail; (e) the potential economy of high wages; (f) the paramount claims of the community.

Principles on Which the Court Should Act When Considering Data Re Rates of Wages in Other States

I pass to consider what principles ought to guide this Court when confronted with evidence relative to the rate of wages prevailing in other States. I propose to state the principles as briefly as possible, only observing the right of an explanatory comment where a principle or its application is not clearly implicit in the preceding argument:—

- 1) *Data relative to wages prescribed in other States have a double value.—(a) As suggesting what is deemed a fair minimum wage by judicial authority elsewhere; (b) as affording some indication of the market value of labor in Australia—a value which must be taken into consideration if this Court is to avoid an apparent unfairness to employees in this State, and the drift of the best workmen in this State to other States.*
- 2) *Such data must be considered in relation to the general conditions of employment which accompany them, for example, hours of work, privileges and duties of employees, etc . .*
- 3) *The data must be considered in relation to the actual work performed*

On investigation it may be found, for example, that a “joiner” in one State may not be engaged in the same degree of skilled workmanship as the “joiner” in another State . . .

- 4) *The data must be considered in relation to the purchasing power of money.*

The cost of living in another State may be so low relatively to South Australia that to adopt the interstate data would involve a grave injustice to local employees. On the other hand, the cost of living in this state may be lower than in the State from which the data are drawn. The Court itself cannot control the price of commodities; but, as I have already hinted, there is a large field of activity open to both the Government and private concerns, whether by control of prices, by facilitating distribution by co-operative stores or any other like agency, *so to reduce the cost of living in this State as to promote the welfare of the worker along the lines of high purchasing power of money rather than along the lines of nominally high wages. Every class of the community would gain in the long run. . . .*

- 5) *The data must be considered in relation to the general scheme of wages evolved by the Industrial Court in this state.*

I have on various occasions emphasized the progressive character of the Industrial code. I have also stated that it is reasonable to anticipate in the future an increase in industrial productivity as a result of the progress of mechanical inventions, improved methods in the organisation of industry, or an increased efficiency of the worker. No one will deny the right of the worker to share in this increased productivity of

industry. True, the workers may fail to co-operate with the employers for the purpose of securing the maximum of output, and such failure might neutralise the good results which would otherwise follow from new inventions or improved methods in the conduct and organisation of business. But assuming that the workers as a body recognise, or come to recognise, the fatuity of failure to co-operate with employer in the processes of production, there should be a progressive rise in wages without precluding a margin for profit on capital reasonably invested in concerns efficiently managed.

But, while maintaining the progressive character of the industrial code, conditions of industrial stability in any community demand that the rates of wage in one industry should not be out of all relation to the rates of wage in another industry. The fact that an industry is prosperous may justify some deviation in favor of the worker. The fact that an industry is struggling for its existence may justify some deviation in favor of the employer. But, speaking generally, it is of great importance that this Court, when adjudicating in a particular industry, should bear in mind what I have called the general scheme of wages as evolved by the Court in industries generally. . . .

- 6) *The data must be disregarded if they involve sweating, either absolutely or relatively to the character of the work done.*

I have already stated my reasons for believing in the economic inefficiency of low wages. A community may profit by them for a time, but for a time only. . . .

- 7) *The data must be qualified or disregarded if economically unsound when viewed in relation to Australian conditions generally.*

. . . Apart from the obvious fact that there are limits to what may be paid by wages out of industry consistent with a return of anything by way of profit to employers, it is a truism in economics that if the cost of production of a commodity reaches an unduly high level, whether from excessive wages or any other of the many factors involved in the cost of production, the demand for goods may be effected in such a way that the industry itself suffers, and of course the community as consumers and the employers and employees suffer. There is what may be called a natural limit to the amount which may be paid as wages in any industry . . .

- 8) *While each industry before the Court must be considered in the light of all the circumstances of that industry, speaking of industries generally, an endeavor to cope with interstate competition by material retrenchment in the standard wages prevailing in a neighboring State is to strike at the root of national repute and national efficiency.*

- 9) *With regard to any particular industry, where the wages prescribed in other States are so high that they cannot be paid*

in this State without imperilling the continuance of that particular industry in this State, the Court may, in some cases should, endeavor to secure a settlement of claims by a conference between employers and employees.

It may well happen that in a particular industry the employees may be prepared to accept, provisionally at any rate, a lower standard of wages than the Court would feel justified in prescribing in order to help the industry over a period of experimentation, and in order to give an opportunity for the coming into operation of some one or other of the many factors in production to which I have already referred at length.

- 10) *Where in a particular industry subject to the disabilities just mentioned, the efforts of the Court to bring about a voluntary settlement of the conditions of employment prove abortive, the duty of the Court is to proceed to make its award in terms which shall be consistent with principles already indicated*

The adoption of this principle may, in some cases, involve the extinction of an industry in this State; but in such a case, it may be better for the Court to perform the disagreeable duty of recording the fact, and so shortening what might otherwise prove to be a long period of fruitless struggle. I do not advocate the preservation in this State of every factory that may chance to have established itself. Throughout this Judgment, I have had in mind the conservation of industries which, if proper effort is made, can be carried on without a substantial deviation from the wage standard existing in other States. The wage-earners may, as I have just suggested, prefer to accept the lower rates of wage than the Court could prescribe, but it is not for this Court to impose any obligation to do so. Apart from this fact, it is for the government of the State, and not for this Court, to say whether, in a particular industry which cannot pay wages approximately equivalent to those legitimately in force in other States, action should not be taken to nationalise the industry or to subsidise it in one way or another.

- 11) *Where, in a particular industry, the standard rates of wage in other States vary materially inter se, the duty of this Court is to ascertain, if possible, the reasons for the difference, and, as regards the wages to be prescribed in this State, to pay more special consideration to data derived from the State, whose manufactured products are most likely to constitute a menace to local industry*

Financial Condition of the Industry

The respondents gave evidence to the effect that the profits of the industry have been very small, and that competition with Victoria is keen even under the present minimum rates of wage. Those rates are lower than the rates prescribed in Victoria. But the appellants now ask for higher rates than the Victorian minima. In my interim Judgment, I affirm the principles on which this Court should act when adjudicating

in cases which involve consideration of interstate competition and the conservation of local industry. *Inter alia*, I said that while this Court must keep approximately to its general scheme of wages as evolved in preceding cases—the reason for this conclusion being stated in the interim Judgment at length—yet some deviation might be allowed in favor of one or other of the parties as circumstance dictated. In the present case it may be assumed that a material increase of wages as fixed by the Wages Board is inevitable in view of the increase in the cost of living. But to what extent should there be an increase? While a judicial sanction should not be given to the continuance of an industry which can only survive by sweated labor, nevertheless it is my duty in each particular case to consider all the facts in order to know exactly what I am doing or propose to do. It follows that I have to consider at the outset of this judgment the nature and extent of the danger of Victorian competition, the ratio of wages to the cost of production, and the profits of the industry as at present carried on. . . .

Victorian Competition

(1) The main advantages which Melbourne enjoys over Adelaide in the manufacture of furniture, are as follows —(a) The cheaper purchase of raw materials generally This advantage is closely connected with freight charges and superior shipping facilities (b) Superior marketing facilities, incidental to the existence of a big local market to build on, and involving possibilities in the way of standardisation, specialisation, etc (c) The possibilities in a large center of a greater variety of design in the articles manufactured. This is of special importance in the furniture trade owing to the public demand for something new in design, or supposed by the purchaser to be new (d) Apparently, Victoria pushes its manufactures in various ways For example, it was stated in argument that there was no outward wharfage dues in Melbourne on the locally manufactured furniture.

(2) These advantages, taken together, are not at present offset by charges on the freight at Adelaide, cost of packing, breakages, etc. . .

(3) Victorian competition has hitherto been mainly, but not exclusively, in inferior lines . . .

(4) From the foregoing conclusions, it follows that the danger of Victorian competition is not in this industry, as it often is, a mere bogey "The goods come in" To what extent it is difficult to say. . .

(5) If the local rates of wage are materially increased, the danger from Victorian competition is likely to be enhanced a) An increase in the cost of production is normally reflected in the price of the commodity produced . . . b) High prices favor the substitution of inferior articles such as are at present imported from Victoria. . . c) If increased wages are to come out of profits instead of out of prices, the question naturally arises whether many local concerns can continue to carry on. For these, and other reasons, I feel justified in saying that, if wages are increased here, the dangers of Victorian competition will be materially greater than at present. As to the precise extent of the

danger it is difficult to forecast. *Inter alia*, it is necessary to consider the ratio of wages to cost of production, and also the local profits in the past—to both of which subjects I shall refer directly.

(6) In spite of Melbourne competition, present local prices appear to be determined rather by local than by Victorian competition—not necessarily in all articles, but in most. Mr. Mathias said that the small concerns dictated the prices. He was obviously alluding to local concerns. I will comment on this statement later in relation to another matter with respect to which it has a particular significance. But the statement goes to support the conclusion that local competition is keen. . . .

(7) Melbourne competition, taking the furniture market at large has been due in part to a failure of the local manufacturers to provide adequate supplies owing to a scarcity of labor. . . .

(8) The competition has not been exclusively on the one side. . . .

(9) On the whole, the general result is that interstate competition is much more a danger to us than to employers in other States, even with the present level of wages. If the wages are materially increased the danger is likely to be increased, I am much more impressed by prospective than existing competition

Profits and Ratio of Wages to Cost of Production

I have already suggested the possibility that increased wages might come out of profits instead of out of prices—thereby minimising the danger from Victorian competition, or from a curtailment of the local demand. In order to find out whether this possibility exists in fact, it becomes necessary to ascertain whether the industry has been so far profitable to the employers as to admit of a material diversion of profits to increase the wages bill. . . .

Statements and balance-sheets were handed in on behalf of a number of concerns. As I desired to curtail as far as possible the public expenditure involved in enlisting the assistance of an expert accountant, I selected three concerns, which on general grounds I considered to be typical, for special investigation and report. . . .

His report was as follows:—

"1 The statements are *prima facie* accurate.

"2A—Exhibits 'A' 'B' and 'C' have been verified with the original signed balance-sheets and also with the books of the undertakings concerned. All facilities to inspect the books and documents were given me, and all questions answered and supported by documentary evidence. As a result of my investigations I am satisfied that the statements as submitted are fair statements of profit and loss.

"2B For the purpose of ascertaining the percentage of net profits to capital actually invested in each case I excluded borrowed money, whether such was borrowed from private individuals or from a bank, as such borrowed money received its reward in the form of interest. Such interest, however, has not been calculated at a high rate, by far

the greater portion being at bank rate of interest for overdrafts, or at a lower rate than this. I have also excluded good-will, even though cash may have been paid for such good-will. By these means the capital was reduced to a minimum. However, in spite of the profits being calculated on such low capital, the profits of the undertakings covered by the three exhibits referred to, averaged over a period of years ranging from one and a half to five and a half years, only amounted to between 6.45 and 7.6 per centum of such reduced capital. The larger portion of such profits, low though they are, have been left in the businesses to ease the financial position.

"2C With regard to the total cost of production calculated over the same periods, I found that the average percentage of wages and salaries varied from 47 to 51 per centum of the total cost, and the average percentage of materials and stores from 35 to 41 per centum; and the two combined from 86 to 89 per centum. From this it will be seen that the margin for overhead charges, freights, etc. is by no means large"

The Financial Outlook of the Industry

The only comment I have to make on the report just quoted is that in general tenor it confirms the evidence given in the witness box by various employers. It follows that I am placed in a difficult and very responsible position. In my interim Judgment I pointed out that, though some duration might be allowed in particular cases, any award of the Court as to wages must approximate to the general standards as previously prescribed. Otherwise, the Court would not be a tribunal of law acting in accordance with general principles, and the reasoned expectation of parties, but a tribunal of caprice. The question naturally arises, if Victorian competition is real, as I have no doubt it is, and if profits in the local industry are low, as I have no doubt they are, what is to happen if the rates of wages as fixed by the Wages Board Determinations are materially increased?

On a superficial view, the answer to this question may seem obvious. I propose to show why, in my opinion, the answer need not be so suggestive of catastrophic results as must at first appear. For the purposes of the present Judgment I must assume my remarks made on the subjects of State aid, co-operation between employers and employed, and organized industry, to have been given all due consideration by parties. I may add the following grounds for hope with regard to the industry now before the Court:—(a) Victorian competition has been in part due, as I have already said, to the inability of local concerns to supply the local labor market owing to a scarcity of labor. (b) The scarcity of labor has precluded full advantage being taken of overhead charges. (c) The supply of labor is likely to be increased by return of soldiers from the front, and also by higher wages. . . . (d) An increase in the rates of wage fixed by the Determination of

the Wages Board will be partly nominal, owing to the fact that the present prevailing rates of wage are generally higher than those prescribed by the Wages Board. (e) The Victorian Wages Board Determination is likely to go up rather than down in the near future. I mention this probability, though I do not attach much importance to it because I believe that, *assuming good management, high wages pay* (f) Although peace is not yet signed there is every reason for expecting material increase in shipping facilities—an increase likely in the net result to qualify some advantages hitherto enjoyed by Victorian competitors (g) One reason why the local industry is not profitable is that, whilst many concerns are unable through scarcity of labor to make the most of their plant and premises, other concerns are working with a plant which is not up to date. (h) If I may accept the evidence of Mr Mathias, there are more concerns in the field, taking into consideration the extent of their plant and premises, and the potentialities of the market, than are required. . . . The award of high rates of wage by this Court, while it may involve the regrettable extinction of some concerns, should tend to restore conditions of what may be called healthy competition (i) At the present time, the industry appears to me to be passing through a transitional period . . . (j) A far more relevant factor for the purposes of this Judgment is suggested by Mr. Hanson's statement that there is no State in Australia where the public are catered for with seasoned timber furniture to the same extent as they are in South Australia, *but that salesmen had not taken full advantage of the fact in selling goods.* (k) If there be anything in the view that well-made goods, like high wages, pay in the long run, it seems not unreasonable to hope that the purchasers of furniture in this State may come to realise the value of the locally-produced article, and the distinction between nominal and real prices

Of the foregoing remarks, some may appear to express merely pious hopes or remote possibilities. But limiting myself to the consideration of facts, and reasonable expectation, I have no hesitation in expressing my conviction, that if the South Australian furniture industry cannot hold its own, despite Victorian competition, and despite the increases in rates of wages which I propose to award, the fault will be mainly with those who are engaged in the local industry—either as employers or employees. But this conclusion must not be taken to mean that the immediate future of the industry in this State is likely to be such as to justify the Court in ignoring the financial aspect. On the contrary, the importance of maintaining the industry in this State, the dangers of Victorian competition, the difficulties of bringing into operation several of the factors to which I referred relative to increasing economic efficiency, and the fact that I propose to bring my Award into immediate operation—all these constitute a strong argument why, in proposing to increase the present rates of wage above the Victorian minima I should act on the conservative side—only awarding such increases as can be claimed on grounds which are unanswerable. . . .

14—DECISION—IMPARTIAL CHAIRMAN—ROCHESTER CLOTHING INDUSTRY (1920)¹

This case presents a special factor that requires consideration, even when full approval is given to the principle of standardization throughout a competitive area. That special factor is "the conditions and prospects of business." It would appear to be plain that if the condition and prospect of business for the enterprises concerned are good, any upward adjustments required to standardize wages, can be made more easily justified than in the contrary circumstances. At least that is the opinion the decision brings before the reader.

The factor may obviously be equally pertinent in a standardization controversy involving wage reduction.

As a result of these extended investigations the Chairman is convinced that the earnings of the piece workers in Rochester, with the exception of a few sections, are on the average about the same as the earnings of the piece workers in Chicago, which is the chief competitive piece-work market. Most of the week workers in Rochester, however, are earning considerably less per week than the week workers in other markets. It is true that the clothing workers in Rochester have had more steady work than the people in other markets, but even if allowances were made for this fact the Rochester week workers on the whole would still be earning less than the week workers in other clothing centers.

Under ordinary circumstances it cannot be doubted that a request to equalize labor costs with competing employers and markets is a just request. The intelligent and informed public opinion of America no longer considers it sound industrial policy to permit employers to seek advantage in competing with one another by getting the same kind of labor at lower wages. Competition among employers should be in efficiency of management, salesmanship and service to consumers, not in getting cheap labor. The clothing worker in one market has a right to expect the same wages and standard of living for his family that other markets where successful business is carried on are able to pay.

If this were the only consideration an increase to the clothing workers of Rochester would surely be justified. But the conditions and prospects of business at the time that increases are given must be carefully considered. At the present time the clothing industry throughout the country is experiencing acute depression, and it will be as harmful to the wage-earner as to the employer to place any additional financial burdens on the industry. To grant wage-increases at a time like this would merely postpone the day when prosperity can return to the industry again. It

¹ Decision—Impartial Chairman—Rochester Clothing Industry in matter of the request of the union for equalization of wages in Rochester with other clothing markets. August 25, 1920.

would appear like mockery to the worker to give him a wage increase at the very time when he is being laid off for lack of work, and an increase at such a time might well endanger the standards of living the clothing workers have already attained by creating an amount of unemployment that would result in cut-throat competition for jobs at any wages, no matter how low they may be. The best that can be hoped for at the present time is that existing wages and standards of living shall be maintained.

The Chairman is therefore of the opinion that on account of the serious conditions prevailing in the clothing industry in Rochester as well as in other clothing markets no general increases can be granted at the present time. If, however, conditions in the industry should change so as to warrant an increase before the Union would have a right again to request a general wage adjustment under the agreement, due notice will be given to the employers and to the Union that the Chairman will take up the question of equalization of wages with other markets. The Chairman reserves the right, as a condition of the present decision, to make such wage adjustments as may be necessary, if conditions in the industry should change so as to warrant such action before the agreement would permit an adjustment to be made.

15—ARBITRATION—PRINTING TRADES—WASHINGTON (1923)¹

This case is printed as an illustration of a demand by employers for the application of the principle of standardization in a downward direction based on the fact of competition. The arbitrator in this case made little attempt to consider the whole balance of interests involved in that application of the principle—which is left for the reader to do.

He limited himself to examining the facts of the competitive situation, and the part differing wage scales played therein,—assuming that unless these differences resulted in serious losses to the sections paying the higher scale there was no case for reduction. Can a case be made out against that assumption?

The Typothetae brings forward seven reasons for a ten per cent reduction in the present wage scale. . . .

. . . A very interesting proposition is presented in a very concise and intelligent way regarding "wages in other cities in our competitive zone." The Typothetae contends that the present wage scale in conjunction with the 44-hour week so materially increases the cost of production that the commercial industry loses a vast amount of printing to nearby cities where lower labor costs obtain.

On the other hand, the Union presents evidence of the ability of the Typothetae to meet its competitors. Baltimore and Richmond are cited

¹Decision of Arbitrator—Typothetae of Washington, D.C. vs. Columbia Typographical Union No. 101. Washington, D.C. 1923. pages 10-11.

by the Typothetae as its principal competitors and in the former city a minimum wage scale on a 48-hour week basis of \$40.00 prevails and in the latter city it is \$35.00 per week on the same basis.

The question which materially concerns the Arbitrator at this time, is to what appreciable extent does the wage scale affect competition? There are many factors and contingencies which enter into the question of one manufacturer, merchant or shop man gathering in a supply of customers at the expense of another in the same line of industry.

Manifestly, the cost of labor is an important and vital one; for as a rule he who may sell the same article for a less price, procures the customer, and labor, as now compensated, makes up a large percentage of the total cost price.

The record shows that both Baltimore and Richmond invade the local field and take large quantities of printing away from the Typothetae. There is some evidence that the Washington industry receives orders from the outside. On the whole record, I think it may be safely said that more work goes out than comes in as applied to book and job printers. Whether this always has been and will continue so as long as Washington remains a part of this competitive zone, is of course a matter of opinion. The difference in the wage scale between Richmond and Washington is so great that instead of Baltimore being the chief competitor, that position should be assigned to Richmond, and yet it is not the case.

Let us take another instance. The Typothetae of Washington, Closed Shop Division, represents ninety per cent of the book and job printing in the city. These shops each and all employ union labor at exactly the same scale of wages, and yet the keenest competition prevails, and no uniform price for output is established. Conceding the cost of labor its full proportionate place in the total cost of a productive hour, may it be said in this case that the comparatively small difference between the minimum scale paid in Baltimore and that paid in Washington, if equalized, would enable the Typothetae to withstand the industrial incursions of a large and tremendously developed industrial city like Baltimore, reaching out at all times with the advantage of capital and volume of business, to keep what it has and acquire more.

While I must admit, and no sensible being may deny, that low wages will necessarily reduce the cost of production, and that cost of production is of vital importance in competition, nevertheless I do not believe a comparatively slight difference in a wage scale is such a material factor as to establish a serious handicap in this respect.

There are many other things to be considered aside from discrepancies in labor costs, and in printing, as in all other lines of industry, Baltimore will, I think, continue in the future as it has in the past, to be a most formidable competitor.

As to Richmond, the Typothetae is not asking for an assimilation of rates of pay. If the Arbitrator was convinced that a reduction in wages would enable the Washington industry to win back the trade it has lost and at the same time invade the field of the Baltimore industry, and extensively augment its volume of business and profits, and that without this additional income, it could not meet with justice to itself the present

wage scale, he would unhesitatingly so hold. But the record in this instance fails to disclose such serious and abnormal results from outside competition, other than the industry has a right to expect. . . .

16—BRITISH INDUSTRIAL COURT DECISION—COTTON
WEAVING INDUSTRY CASE (1920)¹

17—AUSTRALIAN COMMONWEALTH COURT—BOOT
TRADE CASE (1909)²

The two cases presented together below present the opposing view that may be taken of a claim entered by employers located in the less favorable section of a competitive area for a lower wage schedule than the standard schedule.

In any situation presenting this problem, it is absolutely essential that all the facts of that particular situation be taken into account to reach a sound judgment; but even with the facts established there is ample room for differences of opinion regarding sound policy, as many interests must be put into the balance.

16—COTTON WEAVING INDUSTRY CASE

3. This decision relates to the prices paid to operatives employed in mills situated in certain parts of Lancashire and Yorkshire, engaged in the cotton weaving industry in connection with the manufacture of cotton yarns into cloth, whether the cotton yarns be original grey or dyed and coloured, and also in the manufacture of hard waste . . .

5. The said lists are worked to by the Employers who are members of the North East Lancashire Employers' Association

6. The employers who are parties to this arbitration are not members of the North East Lancashire Employers' Association

7. The mills of the employers who are parties to this arbitration are situated in what were described at the hearing as country districts; and with two exceptions the lists, where applicable, have been observed by such employers subject to deductions varying in amount. . . .

It is the practice in non-associated mills to follow the movements in piece prices agreed between the Amalgamated Weavers Association and the associated employers . . . subject to the deductions now being made from list prices. . . .

From the evidence submitted it appeared that the most usual deduction was 5 per cent from the list. . . .

13. On behalf of the work people it was urged that the practice of making deductions from the prices generally payable was a survival from

¹ Amalgamated Weavers Association Case. Decision No 281 Vol. II British Industrial Court Decisions (1920)

² Australian Boot Trade Employees Federation *vs.* Whybrow & Co. *et al.* Commonwealth Arbitration Reports Vol. IV (1909-10). pages 13-14.

the time when, with less well developed communications, the disadvantages of certain districts were more substantial, and when the absence of organization in certain districts put the work people at a disadvantage.

14. It was claimed that the differences between the rates in different districts in other industries were usually differences of time rates, but that in the present case piece-rates were involved, and that there was no justification for making different payments for work of equal quality and amount.

15. Evidence was submitted to show the present prosperous condition of the trade, and the capacity of the firms to pay higher rates.

16. Associated employers have complained to the Union as to what they regard as the inequality or unfairness of requiring them to observe the lists whilst their neighbours, manufacturing the same class of goods in the outlying districts, are allowed to pay less than such prices; but it did not appear that the facts as to the extra burdens borne in the outlying districts had been the subject of examination by all the parties concerned. It transpired in the course of the hearing that some time before the War, an offer had been made by a non-associated employer to submit books of account for inspection by the chairman and the secretary of the North-East Lancashire Employers' Association in order to show that a deduction was necessary to put the non-associated on the same competitive footing as the associated employers, having regard to the extra burdens such as cartage, delays in transit and other similar matters; but the offer was not accepted.

18. It was submitted that, whilst the lower wages paid in the outlying districts enabled the employers to compete on terms of equality with the manufacturers in large centres, the operatives themselves were at no real disadvantage, having regard to the possibilities of cheaper living in country places, more particularly in the case of house rent.

19. At the present time the state of the industry is such that the full list prices could be paid in outlying districts, but it was urged on behalf of the employers that in normal times when trade is done upon a narrow margin, the withdrawal of the present percentage deductions would seriously handicap, if not render impossible, the carrying on of the industry in such districts.

20. It was urged that in the outlying districts the labour available was less efficient and less abundant and regular than in towns and that for a given output a larger number of looms had to be maintained. The Court have not been moved by this contention which was not established by any adequate evidence.

21. It was also contended that owing to the distance of some of the mills from the trading centre, Manchester, and the consequent delays in obtaining material and disposing of cloth a larger amount of capital in proportion to output has to be provided by the manufacturer in many outlying districts than by the manufacturers in the larger centres, and particulars were submitted in many cases as to the additional capital stated to be necessary.

22. Many of the mills concerned are situated in districts where cartage charges are heavy and evidence was submitted in detail with respect to such charges.

23. It appears to the Court to have been established that in some of the districts concerned the mills are under considerable disadvantage. The Court are not concerned with the reasons which led in the first instance to the establishment of mills in such situations in face of the disadvantages to which by reason of competition they would be subject. The question now is whether the continued existence of such mills should be prejudiced. In regard to this question the Court feel that there is no difference of view between employers and workers, and that it would be in the interests of neither that the mills should be compelled to close when the conditions of trade are less favourable than at present.

24. On a careful review of all the facts the Court have therefore decided that a case has not been established for the abolition of all deductions. At the same time they are of the view that in some districts deductions are made which are no longer warranted and that in other districts the deductions are excessive. . . .

17—BOOT TRADE CASE

. . . It was contended on behalf of the manufacturers in Brisbane that a lower minimum wage should be fixed for them than for the manufacturers in the other States. It was said that they suffer under several disadvantages. They do not get as many orders for any one line, and yet have to keep as great a variety of goods; they have not available in Brisbane an adequate supply of workmen competent as to skill and as to speed; they have to bring some of their materials, particularly upper leather, from the South; they suffer severely from the competition of the Southern manufacturers, since interstate free-trade in 1901, and so forth. The scarcity of competent workmen, so far as there is scarcity, is, I am satisfied, largely due to the much lower standard of wages in the trade in Brisbane. Queensland has lagged behind the other States in labour regulation. Until the Wages Board determinates in June 1909—under the Wages Board Act of 1908—there was little or no regulation of wages in Queensland; and the Queensland Wages Board was much influenced, in determining that 40s a week should be the minimum wage, by these disadvantages, and by a dread of Southern competition. Now, sitting in this Court, I have no right to favour one State or its trade as against the others. The Constitution has established free-trade between all of the States of Australia. Each manufacturer in the Commonwealth is entitled to all the advantages which his situation and circumstances give him; and it is not for this Court to interfere with that right by providing a differentiation in wages to counteract the effects of free-trade. The workers in Brisbane are clearly in a state of discontent, finding that their minimum wage is 40s, while the minimum to which the workers object in other states is 48. One of the witnesses declared that he left the trade to become a cab-driver, because he felt that he was black-legging

at 40s per week. Indeed, I have been amazed to find how many men trained to this skilled industry have quitted it in Brisbane to take up work as wharf laborers, or in some other of the occupations called "unskilled." Certainly I cannot give this bonus of 8s per week to the Queensland manufacturers, permanently or even indefinitely. I should not thereby settle the dispute, and besides I should be disappointing the ends of the Constitution. Most, if not all, of the Brisbane manufacturers frankly admit that the differential wages scale must go. But to raise the minimum in Queensland by one stroke from 40s to 54s, would be rather a violent change and might be disastrous to some of the manufacturers. I think I should give the manufacturers in Brisbane some time to gradually adjust their arrangements to suit the new conditions. So far as I can ascertain, the increase of wages which I propose, even with the gradation will compel them to make considerable alterations in their factory system, to bring in improved machinery and appliances, and to introduce more competent operatives. Higher wages, it is admitted, mean better machinery. All this needs time. Mr Davey, the managing director of one of the principal firms, declares manfully that although the increase of wages adds new difficulties, he expects to be able to meet them, and to carry on his business, provided that the burden is not imposed on him at once. Mr Morris dissents—preferring the whole burden at once; but he appears for himself only. I propose that during the first year of my award the minimum shall be 44s, for the second, 48s; for the third, 52s; for the fourth, 54s; for the fifth, 54 . . .

18—CANADIAN INDUSTRIAL DISPUTES ACT—NOVA SCOTIA
STEEL AND COAL CO. (1920)¹

19—CANADIAN INDUSTRIAL DISPUTES ACT—NOVA SCOTIA
STEEL AND COAL CO. (1920)²

The two decisions reprinted below concern the same enterprise and the same difficulty—the inability of the enterprise (a mining concern) to pay the same wages as similar enterprises because of being at a competitive disadvantage. The decisions show sympathetic boards trying hard to balance the interests affected.

18—FIRST CASE

At our first meeting we impressed upon both parties to the dispute the advantage of getting together and endeavouring to settle their difference among themselves offering our services in adjusting those matters

¹ Report of Board in Dispute, Nova Scotia Steel and Coal Co., Ltd. vs. District No 26—United Mine Workers. *Canadian Labour Gazette*, April, 1920. pages 392-6.

² Report of Board in Dispute, Nova Scotia Steel and Coal Co. vs. Amalgamated Association of Iron, Steel and Tin Workers et al. *Canadian Labour Gazette*, July, 1920. pages 831-3.

upon which after a full interchange of opinion and argument they could not come to terms. The company, however, took, and quite properly took, the attitude that before it could enter into conference with its employees it should have the opportunity of showing to them and to the Board the hard conditions, as compared with other and competitive companies, under which its mining operations were carried on—conditions which made the cost of winning its coal greater than that of any other company in Nova Scotia. The opportunity asked for was given and at great detail and in most convincing manner the difficulties under which the company as a coal producer labored, were explained. It would not be proper to make public all or many of the figures as to the cost of mining. We shall have said enough when we state that it takes two men in the company's mines to produce as much coal as one man can do in one at least of its competitive companies. This does not mean that the cost per ton of the company's coal is twice that of the other company but it does mean that it is very greatly increased as compared with that of the other.

It must not be inferred that the company in taking the attitude it did denied the right of its employees to an increase of wages. Rather its position was this—"We admit that right; if we were able we would of our own motion give an increase; we leave it to the Board having heard our statement to make such increases as it thinks proper under the circumstances, and when our position has improved, and it is improving, we will not object to further increases." Every facility was offered to the Board and to the employees to verify the figures that were submitted as to cost, etc., and there can be no doubt whatever that they were correct. As the leader of the employees' representatives stated to the Board: "they could not be challenged, they were unanswerable"

Reference to the application for a Board will show that an increase of wages was sought in all or nearly all of the different classifications of workmen employed in or about the mines of the company. Many of the classifications are paid by the day, others by contract. So far as those that are paid by contract are concerned, we were not asked to make large or far reaching changes but as for those paid by the day—datal labor as they are collectively called—we were asked practically to draw up a new schedule. The following is the schedule we have agreed upon for datal labour. . . .

Referring generally to the above rates we wish it to be distinctly understood that they are not as high as we would have liked to fix, nor what, under other circumstances, we would have fixed. They are based on the ability of the company to pay. The mines of the company, as we have already stated, are difficult to work and the cost of producing its coal is greater than that of its competitors and to fix its rates as high as those of its competitors might well involve the shutting down of its coal operations. We are satisfied the employees do not desire to impair in the slightest the efficient carrying on of these operations nor prevent the improvement nor hinder the development that the company in spite of its difficulties has already under way. We confidently anticipate that the time is not far distant when conditions will be such that the company will be able to advance upon the rates we have fixed and bring them

up to those of most of the other companies in Nova Scotia. Meantime we hope the men will recognize the position of the company and accept for the time being the rates we have fixed. The employees in two of the other companies have recognized the difficult conditions under which those companies were operating and have accepted rates lower than the standard. We cannot believe the employees of the Scotia Company will adopt a different attitude. . . .

19—SECOND CASE

The employees based their claim to an increase upon two grounds, or rather one class based their claim on one ground, another class upon another. That is to say, the lower paid men upon the ground that their wages were not sufficient to provide them and their families with the actual necessities of life, let alone live with any degree of comfort and provide properly for the education of their children, the higher paid men upon the ground that being of equal skill at least to their fellow employees in other similar plants they were paid at very much lower rates.

The company's attitude was an honest and straightforward one. Briefly stated, it was this—we have been generous with our men in the past—we do not deny their right to an increase, if we were in a position to grant it—business conditions are improving, we have already given a small increase, and when we have to some extent recovered from our losses of last year, we will gladly give a further and larger increase.

Both sides we can say with truth made out their case. The employees proved conclusively that as for the lower paid men, they were not getting sufficient decently to live upon, as for the higher, they were not paid as much as in other steel-working plants. Without going into evidence in any detail, let it suffice to point out in regard to the former that there were men who, working full time, only received \$72.00 for four weeks. In regard to the latter, machinists here receiving 53½ cents per hour would in a neighbouring and competitive company receive 68 cents.

On the other hand, the company proved conclusively that during last year, more particularly during the last months of last year, good business required that the plant be shut down, but that for the sake of its employees it had kept the plant running at great loss—that it continued to operate at a loss through January and February of this year—that it had had a profit in its March operations, but that six months of such profits would not recoup it for the losses of the previous six months.

In a word, it was established that the employees should be paid higher wages, and at the same time that the company, up to the present at least, had not been in a position to pay higher wages. Under the circumstances, what was the duty of the Board? None of the members has been without experience on questions of wage disputes, but individually we frankly admit that never before have we had so difficult a question to deal with. Rightly or wrongly, we have reached the conclusion that we must give the employees some increases. We have used in fixing the amount of these increases our best endeavours to reach a happy medium—on the one hand giving a fair measure of much needed relief, on the other, not excessively adding to the burden of the company or unduly reducing

its profits now in sight, all of which it might legitimately hope to retain. . . .

20—DECISION—SHIRT INDUSTRY—NEW YORK CITY (1923)¹

21—DECISION—SILK RIBBON INDUSTRY
NEW YORK CITY (1921)²

The preceding cases illustrate demands on the part of the workmen for the maintenance of a standard wage level even for those sections of an industry which may be disadvantageously placed as compared with competing sections of the industry. In opposite circumstances workers often make the opposite demand—that is, workmen employed at the points possessing competitive advantages may ask wages higher than those paid at other points within the area.

The reasons for the wage demand may vary, and the wages demanded may or may not be fair considered in the light of other principles. The argument of the workers is usually to the effect that if the wage asked is a fair one, it should not be denied just because competing units in the industry are paying less. The competitive advantages are given as the reason *making possible* the higher wage, rather than the sole justification for it.

To the editor three questions seem involved in a situation of this type:

- 1) Is the wage demanded justified, judged by other principles?
- 2) Is the competitive advantage great and genuine enough to make possible the higher wage?
- 3) If the answers to these two questions justify the higher wage, should it be denied because it contradicts the logic of standardization, because it cannot be shown that the workers employed have a right to benefit by the competitive advantage?

If, as often is the case, the workers employed in the units at a competitive disadvantage are unorganized, and if their wages are comparatively low, a stronger case may be made for the payment of the higher wage at other points. For in those

¹ Decision Case No. 37 Board of Arbitration, Shirt Industry, New York City (1923).

² Decision No. 36. Impartial Chairman—Silk Ribbon Industry—New York City (1921).

circumstances there would appear to be little hope that the unorganized sections of the industry could help to bring up the whole level of standardization.

In the two following cases, attention is concentrated largely upon the second of the questions distinguished above—whether the competitive advantage made possible the higher wage, a question of fact rather than of principle, but one requiring most careful judgment. In the second case the union line of argument is addressed against a wage reduction which had already been put into effect in other competing centers. But the matters requiring consideration when forming judgment are the same as if a wage increase were at issue.

The truth about the facts in both cases appears to have been very difficult to ascertain. When that is the case the decision must contain something of guesswork.

20—SHIRT INDUSTRY—NEW YORK CITY

The Union submits a demand made on the manufacturers for a flat increase of 15 percent on the wages now received by the cutters, pressers, and operators . . .

The manufacturers in reply to these arguments assert . . .

First That the New York shirt market is the only unionized market in the United States and the manufacturers are compelled to compete with non-union out-of-town companies which manufacture not only the cheap grades of shirts but large quantities of the better grades .

Third That if any increase in wages is granted, it will be followed by a decrease in the amount of work available for the New York market. To prove this, the manufacturers cited that there was a decrease of work immediately following the last increase in wages . . .

In answer to these contentions, the Union says that while recognizing that the manufacturers in this market do have the competition of non-union out-of-town manufacturers, yet there are specific advantages accruing to the New York market. That the larger part of the work done here is on the higher grade shirts on which the competition is limited. That the workers in this market are better skilled than in most of the competing markets, which results not only in a better grade of work but in higher production . . .

21—SILK RIBBON INDUSTRY—NEW YORK CITY

At the meeting held on September 8, the Associated Ribbon Manufacturers presented their formal demand calling for the following reductions in the minimum guaranties: All weavers now receiving 95 cents

to receive 81 cents; all weavers now receiving 87½ cents to receive 75 cents; all weavers now receiving 80 cents to receive 68 cents; all weavers now receiving 70 cents to receive 60 cents.

In addition to this demand there was also a request that the two-loom system be extended up to 1,600 lignes on the — brand of ribbon, irrespective of combination of widths. Also on single looms of raw silk, with silk or cotton filling, that the guaranty be the lowest minimum rate.

These requests from both sides were heard by the trade council at two meetings, one on September 8, and the other on September 27. At the last meeting a vote was taken on the employers' request, which resulted in a tie and the matter was thus left to the impartial chairman.

The evidence presented to the chairman and to the trade council consisted of briefs from both sides and the verbal arguments which were heard at the different meetings of the trade council.

The employers' arguments were: That wage reductions were being made in practically every industry in the country, citing particularly the textile workers of New England, the railroad workers of the country and the building workers of Chicago. To further substantiate this contention, a number of other specific instances were quoted. The United States Monthly Labor Review for May, 1921, was quoted to the effect that there was a downward revision of the rate of wages of silk workers in the United States from July 1, 1920, to March 31, 1921. That out of 47 mills reported, there were decreases in 43 and increases in four.

The Associated further claimed that a reduction in wages in this market was absolutely necessary on account of the competition with other manufacturing centers and with other mills in this city. That the manufacturers in this market were handicapped not only by the guaranteed minimum wages but also by competing with centers where straight piece-work and lower rates prevailed. That in order to compete with other ribbon manufacturers, labor costs must be lowered. That other manufacturers had the advantages not only of the lower rates but also of longer hours and the two-loom system on certain classes of work. That the small group of manufacturers making up the Associated Ribbon Manufacturers of Greater New York did not feel that they could stand alone in maintaining high wages as against all or practically all of their competitors in this and every other market.

The union in their reply insisted on their demand for week work with two classes at \$40 and \$45 per week, and requested the impartial chairman to consider the arguments which had been presented by the union at the time of their original request for this system of wage payment.

In answer to the citation of numerous wage cuts in industries the union pointed out that in the report of the State industrial commission it was shown that in 200 factories in New York State, employing 75,000 workers, there had been no reduction of wages, and called attention to the fact that the ladies' tailors had just defeated an attempt of their employers to cut wages. Further, the union strongly insisted that where any wage reduction was asked for, specific reasons should be given for such request and not the mere fact that other manufacturers were cutting

wages. While admitting that some reductions had been made in the Paterson ribbon mills, it was insisted that these reductions were made only on the cheap grades of light ribbon.

In regard to competition with Pennsylvania the union pointed out that this competition had always existed and that New York had the advantage of better production. In answer to the employers' claim of no profits, or of very low profits, the union contended that the employers had submitted no figures in relation to this matter.

In respect to the request for an increase of the lineage on two looms to 1,600 lignes, the union pointed out that the two-loom system was in very bad repute with organized workers everywhere, and reminded the trade council that previous awards of the impartial chairman on this question were clearly stated to be emergency measures.

Reference was made to the cost of living and attention particularly directed to the fact that the decline of prices had been arrested and that there was a present tendency of prices to rise again. That in this city rents are abnormally high with no hope of decrease and with an actual prospect of increase.

In regard to the reduction of wages of railroad workers and in the building trades attention was called to the fact that both these classes of workers still have a higher wage rate than weavers.

In answer to the employers' assertion that they were handicapped by competing with other centers where straight piecework prevailed, the union contended that the workers in this market have just as great an incentive to production, for the reason that piece rates accompany the minimum guaranties, and that most of the weavers earn more by the piece rates than their minimum.

The final argument of the union was that a reduction of the present wage scale would result in very few desirable workers being willing to take apprenticeship in the trade.

Among the subjects discussed before the trade council was that of the state of the market. The employers contended that not only was the market in very bad condition at this time, but that prospects for the coming season were very poor. The union, on the other hand, argued that some of the reports in the trade journals indicated that there was an upward tendency. The employers in reply insisted that in their particular plants no such tendency was indicated.

In addition to the arguments and briefs presented by both parties, the chairman himself made a personal investigation in some of the other silk centers. In Paterson it was found that there had been no formal reductions made in the fancy ribbon mills but that through a process of "nibbling" the rates on new jobs mounted during the last few months had been lowered. It was also found that reductions had taken place in some other mills making medium and cheap ribbons, of from 7½ to 15 per cent, most of the reductions being 10 per cent.

In Allentown, where the rates are lower than in New York, there had been a general reduction in that market last January of 20 per cent, this reduction covering all the different makes. In this market there is a 50 hour week.

In Stroudsburg there was a reduction in the ribbon mills last January of 20 per cent and a further reduction in April and May of 10 per cent.

In all these different markets there exists the two-loom system. Lignage on two looms in Allentown and Stroudsburg ranges 900 to about 1,900.

Some few of the ribbon mills in Paterson are organized, a few of the mills in Allentown have some organizations, while Stroudsburg is unorganized.

This in very briefest outline is the evidence and arguments which were laid before the trade council and the impartial chairman. The briefs and arguments in full are filed in connection with this decision but not made part of it.

The chairman, after the matter was placed in his hands, first considered the demand of the union for the week-work system of payment. . . The chairman believes that however valid these arguments for and against and whatever might be the decision under other circumstances, that it would not be wise to consider this change while crossing the stream of the present depression. If, after proper discussion, such a change was decided upon, it should be instituted under more favorable conditions than now obtain. Moreover, the instituting of a new wage-payment plan means the changing of a very fundamental thing, and should only be done after the fullest discussion and the most careful consideration. Also, a change in the method of payment should be considered on its own merits and those merits should not be clouded or mixed up with the question of an increase or decrease of wages.

The chairman next considered the demand of the Associated for a 15 per cent reduction in the minimum guaranties, and the various reasons therefor advanced by the employers and the answers given by the union.

It is to be noted that on March 24, 1921, the Associated made a demand for a downward revision of the wage scale. This request was denied for various reasons, although there were some reductions provided for on the cheaper and lighter weight ribbons. Among other things which led the chairman to refuse the request made at that time was that there then existed the hope of an improvement in the silk ribbon market and in the business of the country generally. Now six months later we find that there has not been the improvement hoped for in the silk ribbon market nor in business generally, and the state of the market for the next six months is very uncertain.

Considering all the angles of this subject, the chairman orders that the following adjustments be made in the minimum guaranties: All first-class weavers now receiving 95 cents are to receive 90 cents; all second-class weavers now receiving 87½ cents are to receive 80 cents; all third-class weavers now receiving 80 cents are to receive 74 cents.

The adjustment of the piece rates to meet the changes of the minimum guaranties is left to the price committees in different mills. This matter is left in the hands of these committees so that individual adjustments can be made rather than a uniform percentage reduction on all piece rates. In no case, however, shall the reduction on any one piece rate be greater than the average reduction just granted on the minimum guaranties, namely, 7 per cent.

SECTION 3

WAGE STANDARDIZATION—AND DIFFERENCES IN THE CHARACTER
OF THE WORK PERFORMED AND IN THE CONDITIONS
UNDER WHICH IT IS PERFORMED

No matter how highly standardized an industry is, there are differences both within and between the units of the industry in the character of the work carried on by workers of the same craft, and differences in the conditions under which this work is performed. Sometimes these differences are relatively large, sometimes relatively small. Therefore in all attempts to employ the principle of standardization the question arises as to whether the rates established for any type of work should be uniform despite these differences, or whether the standard wage rates should be varied on account of them

As upon almost all other questions connected with the principle of standardization, study of past wage disputes shows that the opinions expressed on the subject by interested parties have usually been governed by their interests and desires in any particular case. Sometimes labor organizations have stood for uniformity despite these differences, sometimes they have asked for recognition of them. So with the employers also. The cases in this section illustrate this fact.

Behind each dispute on this subject there is likely to be a dispute over facts. The employers are likely to hold, for example, that the differences in question are very numerous and great, and that all differences in wage rates are based upon them. Workmen are apt to hold the opposite view of the same facts, to believe the differences small and the wage differences unjustified.

22—ARBITRATION—FIREMEN AND ENGINEMEN—
EASTERN RAILROADS (1913)¹

The following extract from the brief of the railroads in an important railroad arbitration states summarily the arguments that may be made against the establishment of standardization throughout a large and varied industry. Those presented under (a) and (b) are considered in this section; that expressed in (d)

¹ Arbitration between Eastern Railroads and the Brotherhood of Locomotive Firemen and Enginemen (1913). Brief on Behalf of Railroads, page 7.

is considered in the next section; that contained in (c) is taken up in Chapter 6.

Position of the Firemen

. . . 4th. They are asking for standardization of wages and working conditions in this district. . . .

The railroads contend that standardization is wrong, and not only wrong, but in some instances absolutely unjust, for the following reasons:

a) It fails to recognize dissimilar physical characteristics on different parts of the same road.

b) It fails to consider the varied traffic conditions represented by volume of business on different roads or parts of the same road.

c) It fails to consider the differences in wages paid labor in other employments in other localities embraced within the limits of the district covered by the lines involved.

d) It fails to recognize that a wage scale should at least bear some relation to the ability of the road to pay, as may be reflected in its earnings, which factor more or less reflects the character of the service required of the employee. . . .

23—ARBITRATION—EASTERN RAILROADS AND LOCOMOTIVE ENGINEERS (1912)¹

The following decision, (one of a long series in the controversy over standardization that has been going on in the American railroad industry) illustrates an attempt on the part of an arbitration board to reach a decision as to how far it is advisable to go in the neglect of differences "in the character of the service" in establishing wage rates.

The conclusion arrived at deserves careful attention in itself. The reasoning of the discussion appears to make a denial of the principle of standardization; yet a minimum standard rate is established. This inconsistency throws light upon both the particular dispute and the nature of standardization demands. The engineers were seeking not merely standardization, but standardization at or near the level of the highest of the differing rates. The board denied that request, wanting to permit some wage variations based upon differences in the character of the service. They said they were denying standardization. But that is open to question; for they established a minimum, which minimum was below some of the established rates. It is a question of in-

¹ Award—Board of Arbitration in Dispute—Eastern Railroads vs. Brotherhood Locomotive Engineers (1912). pages 21-4; 35-6; 71-8; 116-17.

terpretation of the principle whether their decision is considered as a denial of the principle itself.

That question can hardly be answered without considering another. Even if the standard minimum established had been at the level of the highest rates, would not new differences above the minimum have gradually appeared? Which is another way of asking, is it ever practicable to go further than this Board of Arbitration went in establishing uniformity of wage rates, when definite differences in the work exist?

MAIN AWARD

Standardization

While the word "standardization" is not used in the articles submitted for arbitration, the requests of the engineers involve standardization as a fundamental principle.

. . . It is evident that the engineers in their requests for standardization do not mean the same pay for all kinds of service. The requests involve classification of service—such as freight and passenger service—and sub-classifications based on the size of the engines. Hence, the request of the engineers for standardization means that one road shall pay the same as another road for each class of service and each class of engine. Their requests also include a reclassification of service and engines, and uniformity in the rules of service. The engineers ask furthermore, as they have in other cases of this kind, that wherever compensation is now higher than is proposed by the standard rate, such higher rates shall be maintained.

Using the above meaning for the standardization requested, rather than an absolute definition, the railroads hold that such standardization would take no account of the ability of the roads to pay; nor of the difficulty of the work on certain runs (for instance, a contrast between a plain and mountain division); nor of the difference between work upon roads which have a heavy traffic, where exceptional care must be exercised, and roads upon which traffic is light.

The wage schedule now in force in the Eastern, Southern and Western districts shows that the principle of uniformity, with respect to certain points, has been recognized by all American railroads.

. . . While thus in certain matters uniformity has been reached, the facts presented regarding existing rates of compensation and rules of service show that the different roads vary widely in many of their practices.

The facts available show that the claims of the engineers for introducing uniformity into the Eastern District are not fully confirmed. In many respects uniformity does not exist in the Southern and Western Districts, and this is particularly true of the Western District. The

experience of no section of the country can be adduced in favor of granting fully the uniformity asked for by the engineers. There is, however, a much closer approach to uniformity in practice in the Southern District than in the Eastern District, and the Western District is intermediate.

. . . When, however, it comes to the important question of deciding that the rate of compensation shall be the same for a particular kind of service without respect to road or division, the Board finds no warrant for imposing such a regulation. In no part of the country can it be said that all roads without respect to territory and without respect to traffic are paying precisely the same rate of compensation for the same class of service. In the Western District the pay is generally higher for the mountainous country than on the plains. Running a locomotive upon a road which has very light traffic is less exacting and requires less constant alertness than on roads having heavy traffic. These facts lead the Board to hold that local variations in the character of the service should be reflected, to a reasonable extent, in the rate of pay. . . .

The Board believes that the proper policy is rather to consider the character of the service without respect to ownership, and regardless of whether we have to do with strong roads, with minor branches of a large system, or with small independent roads. If because of the meager traffic at any place the work of the engineer is either physically or mentally easier than it is upon the trunk lines, there is adequate reason for considering this factor, but not on account of the smallness of the road. In short, the Board holds to the view that the nature of the service rendered is the paramount factor, and that if any standardization takes place, the fact must be recognized that where there is greater responsibility or greater strain there should be larger pay, and this without respect to whether the division operated belongs to a large system, or is independent.

. . . Whatever standardization is attempted by the Board will therefore be by classification of service rather than by classification of roads. . . .

The Principle of a Minimum Wage

. . . While the Board have reached the above conclusion, the evidence presented shows that for some roads and for certain classes of service on other roads the compensation is too small, and they have therefore taken into account the question of the minimum wage which should be paid in the territory concerned.

Many trade unions have succeeded in getting the principle recognized that for any class of service there should be a minimum compensation. . . . If the general principle which has been worked out for many trades be adopted for engineers, this would lead to fixing a minimum compensation for each class of service. While the minimum rates established by different trade unions often apply only to a city a number

of these are sectional; and a few, national in their scope. There are important cases of the minimum rate applying to a competitive area.* The Eastern District of the United States may be regarded as a competitive area in the railroad business, and the Board can see no reason why a minimum rate for engineers should not obtain throughout this entire district; especially as the district has been treated as a unit in negotiating with the conductors and other trainmen.

It is recognized by the Board that upon certain roads and for certain classes of runs, engineers' wages have undoubtedly lagged behind the average compensation for the district. They have therefore adopted the principle of imposing a minimum. It is believed by the Board that the principle of a minimum is sound, but that to say that every engineer in every class of service should have the same compensation cannot be defended. Indeed, the engineers already recognize this since they ask that they be paid in accordance with the class of service in which they are engaged. In other words, the engineers recognize that the character of the service should be considered in fixing the compensation. In the opinion of the Board it is desirable that all the factors which enter into the nature of the service should be taken into account, and that the more arduous and difficult service should have greater compensation. With this point of view, the Board feel that at the present time they have gone as far toward establishing uniformity of pay as is practicable, by introducing a minimum wage for each of the important classes of service. . . .

24—BRITISH INDUSTRIAL COURT—RAILWAY SHOPMEN'S CASE (1922)¹

This case should be studied along with the preceding one. While in substance the decisions are very much alike, this decision is spoken of as an approach to standardization, not as a denial of the principle. Allowances are made, as in the preceding decision, for differences in the character of the work; but an effort is made to eliminate unwarranted disparities.

General Uniformity of Wages

21 The result of the evidence shows a necessity of introducing into the railway system, so far as the shop staff is concerned, a principle or method of dealing with wages which will bring to an end the practice of fixing wages on the basis of merely local or temporary conditions, without reference to the rates of men of like skill and occupation employed in the railway service in other parts of the country. During

* The Standard Rate in American Trade Unions, by DAVID A. MCCABE, *Johns Hopkins Press* (1912). page 10

¹ Railway Shopmen—England and Wales. Decision No 728. British Industrial Court Decisions (1922).

the war the railways became virtually one organism. The period of Government control has ceased, but the experience has shown how closely inter-related are the interests of the various lines. The Railways Act of 1921, providing as it does for the grouping of lines in large amalgamations, points to the development of railways as a unified system. As regards the "conciliation" grades the employees' wages and conditions of service have already been brought under a scheme operating upon and observed by all lines.

22. The advantages of general uniformity or standardisation in the case of the shopmen are readily comprehended. Progress in the direction of standardisation must, however, be regulated to some extent by time and experience. In connection with the case the Court were furnished with particulars of the present wages of all the men employed in the grades now concerned by the railway companies. The rates at present paid show a variation much wider than can be explained on economic grounds; and it has become clear that, for practical reasons, a limit must be set upon what, at this stage, should be done in the matter of getting rid of those differences and disparities which appear unwarrantable. The Court have endeavoured, therefore, so to frame their decision that a substantial advance shall be made towards standardisation without, however, necessitating changes in rates of wages greater than should be loyally accepted by the side on whom, in any particular case, the burden may fall.

23. In this connection it is desirable to refer to the method adopted by the Court in stating their decision with respect to certain classes of men who are employed on work for which, generally speaking, well recognized rates have not previously been fixed, or for which, under existing practice, the variation of rates is exceptionally wide. For such men it has seemed desirable not to prescribe complete uniformity. The Court have, therefore, determined rates which, while having the effect of curtailing existing differences, nevertheless allow room for a certain play on account of special circumstances connected either with local conditions or with the character of the work. . . . These rates are set out in Schedule D. Where a rate for any occupation is expressed as a range, and not as a single figure, it is the intention of, and essential to, the Court's decision that, subject to the provisions of paragraph 29 below, relating to exceptional cases, it should be understood and applied as follows.—

- (a) Where a single and uniform rate is at present paid at any establishment, and such rate falls within the limits of the range now determined, such rate shall continue; where it is above the upper limit of the range it is to be reduced to such upper limit, and where it is below the lower limit of the range, it is to be increased to such lower limit.
- (b) Where the present practice is to pay the men in the particular occupation concerned on a rising scale, the practice shall continue; but the minimum of the scale shall not be less

than the lower limit, and the maximum is not required to be above the upper limit, of the range.

- (c) Where the rates at present paid are determined on an individual basis, the rates shall be brought within the limits of the range, so that any rate below the lower limit is to be raised to that limit, and any rate above the upper limit is to be reduced to that limit.

24. For other classes of men (except labourers and the classes mentioned in the next paragraph), the Court have divided the various places at which there are shops, running sheds or depots into five classes, exclusive of London, which is treated specially, for each of which a specific rate is assigned in respect of each occupation. The difference between one class and the next is one shilling, so that the extreme difference of rates for any one occupation between the highest and the lowest paid centre outside London is 4s. (*See Schedules A and B.*)

25. In the case of coremakers, moulders, platers, riveters and angle-iron smiths, and in the case of boilermasters in certain running sheds, it has not been found practicable to fix rates by classes, and the rates payable to these men in the respective workshops specified are set out in Schedule C.

26. For labourers specific rates are assigned to all places at which, according to evidence submitted to the Court, labourers are employed. The extreme difference of rates for labourers outside London is 3s. (*See Schedule E.*)

27. As regards Electrical Workers, the rates of wages of men employed in the Electrical Power Stations under the control of the railway companies, are not in general disturbed by the present Decision, except so far—as in the case of men engaged in maintenance—as the rates paid have been those payable to similar classes employed in the workshops.

28. Special comment may also be made with respect to metal machinists. Certain men operating machines classified as millers, slotters, planers, shapers, borers, grinders, drillers, capstans and turrets perform work analogous to work done by similar machinists in the general engineering trade. The practice generally is to train such classes of operatives by choosing them from the ranks of labourers at a rate slightly higher than the labourer's rate, and then advancing them by stages as they become capable of work of higher skill until they reach a rate usually slightly lower than that of the fully skilled mechanic. The skill required differs greatly as between workman and workman in all such classes; and the degree of skill called for by the different types of the machines they are required to operate is equally varied. Thus a universal milling or grinding machine would be capable of a greater variety of work than simple machines of the same type, and the operative in charge of it (if doing such work) would usually be required to possess a higher degree of skill than the men in charge of the simpler

machines. The same is also true of drilling machines, which cover a wide range from the single spindle drill to the complex radial drill.

These facts present a serious obstacle to the fixing of precise rates for machinists in a Decision which is to apply, not to an individual shop, where the methods of working are known, but to all railway shops working under a variety of conditions; and the conclusion is reached that it would be unwise to frame a Decision which would hamper the management in choosing men from the unskilled classes, and promoting them, with commensurate increases in pay, as they advance in skill and experience.

The Decision of the Court in prescribing rates for four grades of machinists must, therefore, be regarded in the light of these general observations.

29. The Court's Decision with respect to wages is set out in schedules A, B, C, D and E attached hereto.

The rates set out are applicable to men performing the ordinary and customary duties of their class. They do not apply to men who are inexperienced or are suffering from any infirmity which detracts from their efficiency as workmen.

The rates set out are not intended to prejudice the position of men possessing special qualifications or skill, or employed under conditions recognised by the management as entitling them to rates higher than those normally payable.

No rates are laid down in this Decision for chargemen or leading hands. The qualifications and responsibilities of such men show great variation, and it is not practicable to prescribe rates which would be appropriate to all cases.

This Decision does not interfere with the practice, where such exists, of paying a losing rate, nor with the time when the young journeyman shall receive the full rate.

Future Changes in Rates of Wages

30. All parties are concerned in the manner in which future alterations in rates of wages shall be made. To decide in favour of district rates would be to imply that, as those rates changed from time to time, the rates of the railway employees would also change. . . .

31. The reasons that have impelled the Court to arrive at a conclusion adverse to the granting of district rates must be again invoked. So long as the railway service is regarded as a separate industry, subject to its own conditions of prosperity and depression, it appears to be undesirable that alterations in rates of wages brought about in other industries, by the conditions of those industries, should automatically result in exactly similar changes on the railways.

At the same time, the effect of demand and supply in the case of particular kinds of labour cannot be ignored, and general movements of wages in outside trades, or in those akin to railways in their manu-

facturing aspect, must probably be reflected in some degree in the rates of the railway shopmen. The mechanical regulation of wages by reference to a cost of living sliding scale does not, therefore, appear to the Court to be very appropriate to the circumstances.

32. The Court have accordingly arrived at the conclusion and express it as their Decision that general changes in the rates of wages now determined, including the war wage or bonus of 26s. 6d. a week, shall be the subject of previous negotiation between the parties as occasion arises, when all the relevant factors can be taken into account.

25—CANADIAN INDUSTRIAL DISPUTES ACT—CANADIAN NORTHERN RAILWAY *vs* CONDUCTORS, ETC. (1918)¹

This case is an example of exactly the opposite claim to that considered in the two preceding cases; it is a claim by train-service employees on a transcontinental railway for a differential over the standard rate for work done under unusually arduous conditions. It is such sectional claims as this which often give rise to the opinion that complete standardization of wages over a large area in which there is a variety of conditions is not practicable. The difference of condition insisted upon, it will be noted, is a serious one—and one admitted as a reason for payments above the standard wage established in the Western railroad territory of the United States. The case shows that the argument on the point involved is apt to reduce itself to a discussion of the *degree of difference involved*.

The principal dispute centred around the claim for a differential of 10 per cent for the territory west of Tollerton (Edson). The representatives of the men vigorously and earnestly pressed upon the Board their claim to this differential, basing their claim upon the fact that it exists in the Mountain territory on the Canadian Pacific Railway and on other railways in the United States through their Mountain territories; upon what they claimed to be higher cost of living and worse living conditions, and greater danger for crews operating in that territory; upon the slower train movement and the greater productive efficiency of the crews as compared with like crews operating through the Mountain territory upon the Canadian Pacific Railway; and upon the fact that the company is allowed to collect higher freight and passenger rates upon that section of its line. The representatives of the company argued that the differential in force on the Canadian Pacific Railway main line was confined to freight service from Lake Louise to Revelstoke and to passenger service from Lake Louise to Kamloops, only a fraction of the distance for which the men claimed a differential here; that it was

¹ Report of Board in Dispute between the Canadian Northern Railway Company and Conductors, Trainmen and Yardmen on Western lines (1918) *Canadian Labor Gazette*, April, 1918 pages 252 *et seq.*

granted in that territory because the line there has a grade in excess of two per cent and pusher and helper engines are required in both services, whereas the highest grade on the Canadian Northern Railway line through said territory is .07 per cent, and no pusher or helper service is required or used. They also pointed out that no differential is granted on the Grand Trunk Pacific Railway, although the grade on part of that line is one per cent; that the engineers and firemen have recently made a settlement with this company, claiming the same rates of pay from Edmonton westward as is paid to the Canadian Pacific Railway employees of the same class on the valley territory on that line. Our attention was also drawn to the fact that on the Great Northern and Northern Pacific Railways a differential is granted only on certain specified grades and others of 18 per cent or more; that from Kamloops to the Coast the Canadian Northern Railway line parallels the Canadian Pacific Railway, and that no argument could be urged for paying the Canadian Northern Railway conductors and trainmen on that portion of the line higher rates than are paid to like employees on the Canadian Pacific Railway. The crews operating in this territory reside at Kamloops and Lucerne. The latter terminal, it is said, will in a short time be changed to Jasper.

We believe that the conditions of operation between Tollerton (Edson) and the Coast on the Canadian Northern Railway are not as onerous as those prevailing on the so-called Mountain territory on the Canadian Pacific Railway. We believe that the employees are entitled, on the lines west of Tollerton (Edson) to as high rates as are paid to the same class of employees on the valley territory on the Canadian Pacific Railway; but after careful consideration, and with a due regard for all the evidence and arguments in favour of the differential and with a sincere desire to be fair to both parties, we cannot find that they have shown themselves entitled to the differential asked for.

The company's representative offered to grant the Canadian Pacific Railway valley rates from Edmonton westward, such rates not to apply to trains operating to, from and upon the Athabasca and Sangudo subdivisions. That is, that the existing rates on the Canadian Northern Railway from Edmonton westward be continued, but that in any case where the rates paid for the valley territory on the Canadian Pacific Railway to its conductors, brakemen and baggagemen are greater than those paid by the Canadian Northern Railway to its conductors, brakemen and baggagemen, operating from Edmonton westward, the Canadian Northern rate shall be increased to that paid on the Canadian Pacific. . .

26—ARBITRATION—EASTERN RAILWAYS *vs* CONDUCTORS, ETC. (1913)¹

This long decision illustrates well the controversy over the establishment of a uniform standard wage throughout an area

¹ Award—Board of Arbitration between the Eastern Railroads and the Order of Railway Conductors and the Brotherhood of Railroad Trainmen (1913). pages 2-5; 8; 10-17; 61-4.

in which there are differences in the conditions under which the work is performed, and the character of the work, and presents the different opinions that are usually held on the subject by employers and workers. Furthermore it brings up the fact that unless the workmen throughout the whole area are in agreement upon their demand for one uniform minimum, no such minimum can be maintained; the principle of standardization becomes merely a device for attempting to raise wages.

MAJORITY AWARD

Territorial Differentials

. Movements like this on the part of the various organizations of railroad employees engaged in the movement of trains illustrated one phase of the wage problem with which the railroads are confronted. Such movements usually move in cycles; for if one brotherhood obtains an advance the others have usually asked for a corresponding advance. But this is only one phase of the wage problem with which the railroads have to deal. By custom, the railroads and the Brotherhoods have recognized that the railroads of the United States are divided into three wage zones, known respectively as the Eastern Territory, the Southern Territory and the Western Territory

The Wage Scale in the Eastern Territory has always been less than the Scale in the Western Territory. Until 1910, the wage scale in the Southern Territory had always been less than the wage scale either in the Eastern or in the Western Territories. It has been for many years the object of the organization engaged in this arbitration to obtain in the Eastern Territory the same scale of wages as prevails in the West. In other words, the wage problem of the railroads is affected in this case by the desire of the members of these Brotherhoods in the Eastern District, to receive pay in the different Districts on scales that are equalized between the Districts. As between Conductors and Trainmen a satisfactory differential has been reasonably well established within the organizations. In Passenger Service it is agreed by the men that a Brakeman should receive approximately sixty per-cent of the wages of a Conductor, and in the Freight Service sixty-six and two-thirds per-cent has been definitely agreed upon in both organizations as the percentage of a Conductor's wages which a Brakeman should receive. When it comes to the different Districts, the Conductors and the Trainmen of the East are at one in urging that the rates of pay in both Districts should be standardized upon the same terms. The Conductors and Trainmen of the West have not as yet explicitly committed themselves to the policy of standardization as between the East and West within their own organizations. . . . This Board believes that before a standardization of pay for Conductors and Trainmen can be brought about between the East and the West, the organizations concerned should formally and officially commit themselves to the policy of standardization

between East and West. In the absence of such an accepted policy, were this Board to place the pay of Conductors and Trainmen in the East, as they are asked to do, on the Western basis, such an increase of the wage scale in the East might serve, in the prevailing opinion of the Board, to bring about a new movement in the West to secure the old differential as against the East.

. . . The Board ventures to suggest that each of these two organizations determine for itself whether it will or will not endorse the policy of a standard wage East and West .

Existing Differentials

Since the collective movement of 1910 carried on by the Conductors and Trainmen in the East, the railroads of the Western Territory have granted a ten per cent advance to all their employees in train service. . . . As a result of this advance the Board is informed that the . . . Conductors in the West (enjoy) a wage scale that is 161 per cent higher than the Conductors receive in the East. . .

Review of the Argument

In the Award the proposals of the men are passed upon Article by Article. In brief, the men ask that they be given western rates of pay while retaining the rules and regulations affecting pay prevailing in the East .

Standardization

The men urge standardization of pay as between the East and the West on the general ground that railroading "*per se*" is worth just as much in one part of the country as in another, with the exception of the so-called Mountain District in the Western Territory where permanent natural conditions justify now and may justify always a differential in favor of that District . . .

Witness Garretson developed this idea at length and testified that, in his experience (which he showed to have been very wide), the essential conditions affecting the lives of railroad men in the operation of railroads are substantially identical in all three territories. He stated it as a belief that with local variations a man could live within a thousand miles of Chicago, East, West or South and enjoy in all of the reasonably settled parts of the country the same privileges and opportunities in one territory as in the others. The cost of food and other necessities, he thought, would equalize themselves wherever a man lived, while a man would find as many of the opportunities that go to make life enjoyable and pleasant in one territory as in another. . .

As regards the operation of railroads he pointed out that the Book of Rules adopted by the American Railway Association forms the basis of the operating rules for all the railroads in the United States, and that the American Railway Association embraces the railroads in all parts of the Union. He also called attention to the fact that the Master Car Builders Association is steadily at work bringing about standardization as to the construction of cars, so that in all parts of the Union

the cars to be handled are constantly becoming more and more alike. . . . The men also called attention to Bulletin No 131 of the United States Bureau of Labor Statistics for the purpose of showing that wages in other trades in the East and in the West and in the South do not greatly differ

Witness Howard . . testified that the Chicago and Eastern Illinois Railroad and the Chicago, Indiana & Southern Railroad both ran south from Chicago to Danville, Illinois. Both are coal roads, and the conditions affecting both are so far similar that they are only a few miles apart for the whole distance between Chicago and Danville. The Chicago and Eastern Illinois pays the western rates, while the Chicago, Indiana and Southern pays the eastern rates; and the men argue that no possible differences of condition in this case can justify such a discrimination. . .

THE ANSWER OF THE RAILROADS to these propositions may be summarized as follows

The Railroads urge that there is no such thing as standardization of rates and rules in any one railroad territory, much less as between territories, because it is impossible to disassociate rules and rates in their effect upon pay and working conditions, and the rules differ everywhere. In the Eastern Territory the railroads admit that there is a fair approximation to standardization within that territory both as to rates and rules affecting pay. . . . The railroads admit that in the Western and Southern Territories the daily rates of pay are higher; but the roads claim that the rules affecting pay are almost as diverse in these two territories as the roads concerned. The roads admit that in the Eastern territory a man must work longer hours to earn the same money, as many do, than he would have to work either in the South or West; but the railroads claim that this is due to the greater density of population, while the greater extent of double trackage in the Eastern territory, and even of three, four and six tracks, and the generally higher standard of equipment of the railroads in the Eastern Territory, as compared with the other territories, offset the disadvantage to the men of longer hours by making the work lighter and less dangerous

The railroads also urge that the statement of time consumed in the different territories is not comparable . . .

The railroads also show (Exhibit 32) that the receipts per ton mile run and per passenger mile run in the three territories compare as follows

	Ton Mile	Passenger Mile
EASTERN	.646	1 779
SOUTHERN	709	2 160
WESTERN	.960	2 139

The railroads further show (Exhibit 15) that out of the smaller receipt per mile, the conductors and trainmen in the Eastern territory receive for each mile run more than they receive in either the Southern or Western Territory.

Both of these results the railroads claim spring from the large number of short runs in the Eastern Territory, due to the greater density of population, runs for which a full day's pay is paid, although the run is less than the basic passenger run of 155 miles, or the basic freight run of 100 miles.

The railroads also challenge the justice of the wage scales existing in the West and in the South, as not having been proven; and for this reason they urge that to standardize wages in the Eastern Territory with wage scales that may themselves be inherently unfair, is both unwise and unjust.

Finding As to Standardization

The prevailing opinion of the Board is that it must take the adjustment of 1910 as its starting point; and that it cannot be controlled in its findings by the argument for standardization, although it may be influenced by it. The prevailing opinion of the Board is that standardization as to pay and rules, as between the Eastern Territory and Western Territory, is at the present time impossible. Not only is the differential between the two territories as it affects the Conductors and Trainmen very large, but it is not clear that the policy of standardization which is favored in the East is responded to by the Conductors and Trainmen of the West. . . . Furthermore the wages earned in organized trades in the West are yet higher than in the corresponding trades in the East. . . .

Moreover, it is the prevailing opinion of the Board, as already suggested, that an inquiry should be made as to whether a fair basis for standardization between these two territories really exists; or whether there is such an essential condition in the character of the service in the two Districts as to justify a differential; and if so, what that differential ought to be in each case. . . . It is the prevailing opinion of this Board that the policy urged by the men in this regard is in the large interest of the railroads as well as of the public, so that progress should be made in this direction as circumstances will permit. . . .

So believing, as to standardization, this Board has done what it properly can to standardize rates of pay between the Eastern Territory and the Southern Territory, the rates in the latter territory being now somewhat above the Eastern and somewhat below the Western rates. This appears to be the more justifiable because wages in other trades in the South and in the East are substantially the same (Bulletin No. 131 Bureau of Labor Statistics).

From what has already been said, it is clear that the rules affecting pay in the Eastern Territory and in the Southern Territory are already

standardized to a considerable extent. It may be broadly said, therefore, that, as a result of this proceeding, the rates of pay and most of the fundamental rules will be substantially standardized in the greater part of the service from the Mississippi to the Atlantic Ocean.

MINORITY REPORT OF RAILWAY REPRESENTATIVES

The prevailing opinion of the Board is that standardization between the east and the west is impossible at present, and with this we thoroughly agree. The requests of the men in the east have been for years for prevailing western rates, but as soon as any increases in the east have been obtained, efforts are immediately transferred to other territories and by various methods they attempt to have the old differentials restored. The engineers and firemen recently received increases in the east and are now in the west demanding increases there. The Award recognizes this condition and there is not the slightest assurance that such practices will not continue. So long as they do, standardization between territories is chimerical, impracticable and uneconomic.

Furthermore, this differential of the west over the east not only exists for train service employees but is also found in industrial occupations. . .

. . . The awarded rates are approximately those in effect in the southeast. With this entire lack of evidence of justification for the western or southeastern rates by themselves or their application in the east we believe the Board should have considered only the adequacy of the present rates in the East . . .

Nor is the Board consistent in their attitude on standardization. It was quite within the province of the Board to have standardized within the Eastern Territory. Rates and conditions are now so inextricably mixed as to make it inequitable to standardize one without standardizing the other, yet the Board has standardized neither. . .

Most of the large systems have been made up of small lines, on which varying rates and conditions originally existed. In the combination or consolidation the employers have intelligently taken the high rates from one portion of the line and applied them where possible to other portions of the line where low rates existed. . . . As this has existed within the systems themselves, the same differential existed between the systems and even to a more marked degree. In previous arbitrations, and in all settlements, the employees have never been ready to accept standardization, although always professing it, but claiming that the high spots should be allowed to continue and the low spots brought up. If impossible to standardize within any one territory, how probable is it that standardization will be attained between territories? If standardization had been seriously considered by the Board itself or by the Employees in the Eastern Territory, the whole territory could have been standardized by this award. . . .

27—DECISION—BRITISH INDUSTRIAL COURT—RAILWAY SHOPMEN (1922)¹

These excerpts from schedules established by the British Industrial Court for the Railway Shopmen of England and Wales are reprinted here as an illustration of an attempt at standardization of wage rates by classes of towns, accompanied by a classification of occupation.

Schedule A classifies the towns. Schedule B states the rates applicable for each class of worker in each class of town.

Schedule A.

In this schedule are set out the towns or places in which the workshop, running shed, or depot is situated, the name of the railway company on whose system it is, and the class or division to which it has been assigned in respect of the several occupations enumerated in Schedule B:—

<i>Town.</i>	<i>Railway</i>	<i>Class.</i>	<i>Town</i>	<i>Railway</i>	<i>Class</i>
Aberavon	.. G W.	... I.	Bedlington	... N.E.	... III.
Aberbeeg	... G W.	... I.	Beeston	... Mid	... II.
Abercynon	... T V.	... I.	Beeston Sidings	Mid	... II.
Aberdare	... G.W., T.V.	I.	Belford	... N.E.	... V.
Abergavenny	... G W.,	II	Belper	... Mid	... III.
	L. & N.W.		Bescot	... L. & N.W.	I.
Accrington	... L. & Y.	... I	Bewdley	... G.W.	... IV.
Agecroft	... L. & Y.	... I.	Bilston	... G W.	... I
Aintree	... L & Y.	... I.	Birkenhead	... G W,	... I.
Alcester	... Mid	... IV.		L & N W.	
Aldridge	... Mid.	... I.	Birmingham	... L. & N W,	I
Allerton	... L. & N.W.	I		G W, Mid	
Alnmouth	... N.E.	... III.	Bishop Auckland	N.E.	... II.
Alnwick	... N.E.	... III	Bishops Stortford	GE	... V.
Alsager	... N.S.	... II	Blackburn	... L. & Y.	... I.
Alton	... L. & S.W.	IV.	Blackhill	... N.E.	... III.
Ambergate	... Mid.	... IV.	Blackpool	... L. & Y.	... I.
Andover	... L. & S.W.	IV.	Blaydon	... NE	... I
Annfield Plain	.. NE.	... III.	Bletchley	... L. & N.W.	II.
Appleby	... Mid.	... IV.	Blyth	... NE	... I.
Ashby	... Mid.	... IV.	Bolton	... L. & Y.,	... I.

¹ Decision 728. British Industrial Court Decisions—Railway Shopmen—England and Wales (1922).

Schedule B.

In this schedule are set out the classes or divisions to which the workshops, running sheds and depots of the Railway Companies concerned have been assigned (*See Schedule A*) and the standard time rate of pay per normal week according to the class or division for each of the following occupations:—

Occupation.	London	Other Towns				
		Class I	Class II	Class III	Class IV	Class V
ARMATURE WINDERS (<i>See</i> ELECTRICIANS).	s. —					
BODYMAKERS—COACH:						
Grade I.	50	46	45	44	43	42
" II.	46	42	41	40	39	38
BOILERSMITHS—RUNNING SHEDS (Shed differential included) (<i>See</i> also Sche- ule C.)	56	52	51	50	49	48
BRASS FINISHERS:						
Grade I	50	46	45	44	43	42
" II.	46	42	41	40	39	38
" III	42	38	37	36	35	34
BRICKLAYERS:						
Grade I.	50	46	45	44	43	42
" II	46	42	41	40	39	38
" III	36 to 40	36	35	34	33	32
CABINET MAKERS...	50	46	45	44	43	42
CARPENTERS:						
Grade I	50	46	45	44	43	42
" II	46	42	41	40	39	38
" III.	36 to 40	36	35	34	33	32
COPPERSMITHS	52	48	47	46	45	44

28—COMMITTEE ON PRODUCTION—GREAT BRITAIN—AWARD 545
—ENGINEERING AND FOUNDRY TRADES (1917)¹29—COMMITTEE ON PRODUCTION—GREAT BRITAIN—AWARD 2076
—ENGINEERING AND FOUNDRY TRADES (1918)²

These two cases present the view that standardization must be based upon a "similarity of industrial and economic conditions" and that differences in these conditions should be reflected in the wages established at each point.

28—AWARD 545

. . . The claims are based upon the contention that "the rates of wages are unduly low." The towns which have been put forward for consideration are 48 in number. They include a group of 13 towns in Lancashire and Cheshire, a group of 15 towns in Yorkshire, and a group of six towns in East Anglia, as well as a number of towns in other districts. The claim in respect of the Lancashire group of towns is for a uniform list of rates equal to or in excess of the highest rated town in the county. In the case of the Yorkshire group and Derby the claim is that the rates of wages in the towns mentioned should be brought up to the level of the rates in Sheffield, which is the highest rated town in Yorkshire. The claim made in respect of the towns in East Anglia is for a uniform rate to all fully skilled engineers, the rate to be the top rate at present paid in the towns comprising the group plus 4s per week.

7. The Committee have carefully considered the circumstances of the cases as submitted to them. They are of opinion that in order to establish under the provisions of the agreement of February 1917 that the rate in any district is unduly low, it is not sufficient to show that the rate in some other district or districts was higher previous to the war or is higher at the present time without regard to the conditions affecting the districts compared which gave rise to the differential rates. The provision of the agreement requires that in order to justify special consideration it must be established that the rate complained of is unduly low having regard to the conditions prevailing in the district in question. The Committee are of opinion, and they so award, that with the exception of the cases dealt with hereafter, the claims made are not claims that can now be conceded. . . .

29—AWARD 2076

5. In their award dated 30th November 1917, dealing with previous claims for special consideration put forward under the clause in the agreement of February 1917 set forth in paragraph 1 of this award, the Com-

¹ Committee on Production Great Britain—Award 545—Engineering and Foundry Trades (Special District Cases) (1917).

² Committee on Production—Great Britain—Award 2076—Engineering and Foundry Trades (Special District Cases) (1918).

mittee laid down the principle on which they considered that such claims should be dealt with in the following terms, viz.:—

"That in order to establish under the provisions of the agreement of February 1917 that the rate in any district is unduly low, it is not sufficient to show that the rate in some other district or districts was higher previous to the war, or is higher at the present time, without regard to the conditions affecting the districts compared which gave rise to the differential rates. The provision of the agreement requires that in order to justify special consideration it must be established that the rate complained of is unduly low having regard to the conditions prevailing in the district in question."

6. The Committee would view with approval any movement on the part of the Federation and the Trade Unions connected with the engineering and foundry trades to initiate conferences at the earliest convenient and practicable time with a view to discuss and settle uniform minimum rates for grouped places for such adult workmen as can properly be classified together as possessing a requisite degree of skill in their craft. It does not, however, appear to the Committee to be sound or practicable to fix a rate for any group by merely adopting as the group rate the highest rate which happens to be in operation in some district without regard to the economic conditions prevailing, or to form groups on the basis of geographical contiguity or on any other basis than similarity of industrial and economic conditions. The ascertainment of these conditions would necessarily involve careful and thorough detailed investigation in regard to the circumstances at each place so that the settlement should avoid causing injury to the permanent interests of employers and workmen in any district brought within a group or to the general interests of the trade of the country. . . .

30—AUSTRALIAN COMMONWEALTH COURT—WATERSIDE WORKERS CASE (1915)¹

31—BRITISH INDUSTRIAL COURT—CHEMICAL TRADE CASE (1920)²

In trades in which wage rates are standardized, it is common to have claims for wages above the minimum standard for work carried on under conditions more arduous, unpleasant, dangerous than the ordinary. These raise the question already suggested in the previous case, as to whether they are consistent with the principle of standardization.

¹ Waterside Workers Federation *vs.* Commonwealth Steamship Owners Ass'n. Commonwealth Arbitration Reports Vol. 9. (1915). pages 302-3.

² Amalgamated Engineering Union, etc *vs.* Chemical Employers Federation Decision No 493. British Industrial Court Decisions Vol. 3. Pt. 2 pages 3-5.

Ordinarily the matter reduces itself to one of degree of difference. In the first of the following cases we see the view expressed that the Court feels itself unable to distinguish between these degrees of difference, that once the standard minimum is established, differences can safely be left to the parties themselves. In the second case we see the recognition of a distinct difference. It is doubtful whether any single consistent rule can be followed in all cases.

30—WATERSIDE WORKERS CASE

Special Cargoes

A practice has grown up of classing certain cargoes as special cargoes, as to which the payment of special rates, usually 3d per hour, is made obligatory on the employer, by award or agreement. The grounds on which special rates seem to be claimed seem to be as numerous and as varied as the well-known excuses for drinking beer. Some cargoes are said to be dusty; some have a bad smell; some affect the nerves with fear (as explosives); some, as superphosphates may affect the skin in hot weather, some as boxes of case-oil have occasionally loose nails, some are hard and rough on the hands. There is no consistency in the list of special cargoes, even in the same ports . . . I have come to the conclusion that this discrimination between cargoes, for the purpose of a minimum wage is unsound, and tends to provoke contrasts and grumbling. It is safe to say that the work of a wharf labourer, all of it, is hard and rough . . . But it is impossible for the Court to gauge accurately the relative degrees of hardship of the different classes of cargo—impossible, at all events, to express the relative hardships in terms of money. . . In my opinion, as stated in the Manure Case: "Differentiation in minimum rates prescribed must be on broad lines, and must usually be based on some marked and essential difference in the skill or qualification or character of the men required for the functions respectively. . . In other industries than the present men often contract for more than the minimum when they are specially efficient, and there is no objection to their contracting for more than the minimum—if they can get it—on the ground that the work is peculiarly trying or distressing

31—CHEMICAL TRADE—MANCHESTER

5. It was submitted on behalf of the workers that in many instances men who were engaged on dirty work did not receive the allowance in accordance with the agreement.

6. It is claimed that skilled artisans and their mates should be paid dirt money in the chemical and dye works as the conditions under which they work are exceptionally dirty and unpleasant in comparison with those prevailing in engineering works.

7. At the request of the parties the Court on 23rd and 24th September visited many works in the Manchester district, comprising chemical works, dye works and general engineering, locomotive and marine repair establishments, in order to compare the conditions in the works in the chemical and dye trade with those in engineering shops engaged in repair work.

After careful consideration of the evidence submitted the decision of the Court is as follows:—

8. An allowance of 1s a day (two hours to constitute a day) shall be paid to all workmen when employed on jobs which, on account of the character of the work itself or the surroundings in which it is done, are dangerous to health or involve damage to or exceptional wear and tear of the workman's clothing or boots

9. The allowance will not be payable on repairs carried out in the repair shop or on new work, wherever carried out, unless it is shown that the work is "dirty" in the above sense. It will be payable on all repair work carried out directly on the plant unless it is shown that the work is not "dirty" in the above sense. . . .

SECTION 4

WAGE STANDARDIZATION—AND GENERAL DIFFERENCES IN ECONOMIC CONDITIONS BETWEEN THE PLACES IN WHICH THE INDUSTRY IS LOCATED

Demands for wage standardization are ordinarily demands for a uniformity of wage rates for the same work at all points where it is carried on—irrespective of economic differences between these points; for example, differences in prevailing wage rates in other industries and differences in the cost of living. This position is defended on the argument that if the work performed is the same, the wage paid should be the same, despite general economic differences. This argument is of a semi-ethical character.

It is opposed by the contention that it is just and sound that these differences should not be overlooked, and that uniformity of wage rates should only be established when and as far as there is a close similarity of economic conditions.

In the cases included in this section both of these contentions are weighed and discussed. Behind all the discussion will be observed the question whether it is possible, even if it is both just and desirable, to maintain uniformity of all wages throughout an area in which there are substantial differences in economic conditions. It is pointed out (Case No. 26) that unless the whole

body of workers employed throughout the industry agree to uphold that uniformity, it is not likely that it could be maintained. A pledge to that effect is illustrated in another case (Case No. 32).

Like so many other questions connected with the principle of standardization, it may be affirmed that no general rule will meet all cases satisfactorily, and that the "degree" of the differences in question must be one of the guiding considerations.

The facts having been ascertained three questions remain. Firstly, considering the degree of difference, the desires of the workmen and the interests of industry and public, it is wise to vary the standard wage in accordance with these differences? Second, if these differences are not reflected in the wage rates established by a decision, will not the individual members of the industry (both workmen and employers) immediately seek a new wage bargain which takes heed of these differences? Third, if so, would it be more satisfactory and make for industrial peace to make allowances for these differences rather than establish a uniform standard wage scale? The cases in this section illustrate the possible alternatives in a variety of situations

Several of the cases in this chapter call attention to an important point; that is, that arguments over this question of differences are apt to be contests over the wage level itself, not over the question of uniformity. The workers often want not uniformity at any level but at or near the highest level of the varying rates; the employers often want not so much the recognition of differences, as a wage scale below the level of the highest. Since this is so, much of the argument is apt to be only cover for this other conflict of interest.

32—GREAT BRITAIN—TRANSPORT WORKERS COURT OF INQUIRY (1920)¹

This decision takes up the question suggested in one of the preceding ones (Case No. 26). The majority report, it will be observed, mentions a pledge given by the whole body of workers concerned, that if one uniform standard minimum is established, no attempt will be made by any section of the workers concerned to re-establish pre-existing differences *above* the new national

¹ Transport Workers—Court of Inquiry Vol. 1. (Report and Minutes of Evidence) Cmd 936. (1920). pages 6-7; 17.

standard. The minority report argues that this pledge will prove impossible of fulfillment.

MAJORITY REPORT

Scope of Claim

5. The application contained claims under 10 heads, and it was in the hope of a settlement of these that this Court of Inquiry was set up. The first of the claims was in the following terms "That the minimum for day workers and pieceworkers shall be 16s. per day on the basis of the National Agreement for the 44-hour week."

Interpretation of Minimum

7. The language of the claim is open to a wide construction, Sir Lynden Macassey was well within his rights in interpreting "a minimum" as a universal national minimum which swept away all considerations of special circumstances and which admitted of no exception. In amplification of the grotesque results which he argued might follow from such a settlement, a table was put in of the small ports of the Kingdom, and it was added that there were in addition 874 creeks, estuaries, &c in which loading and unloading and other forms of labour such as that performed by one or other of the grades of dock labourers took place. In the opinion of the Court the matter must be approached by both parties in a sensible and practical spirit.

All that is meant by the fixing of a minimum by this Court is what Mr. Bevin, on behalf of the claimants, agreed was reasonable, namely, that the workers at all the greater ports of the Kingdom who have consolidated as claimants in the present case should be looked on as presenting a united front, but that while a figure upon that footing is settled, it is manifest that in regard to many at least of the smaller ports and all of those creeks and estuaries, these might be treated as exceptions to the application of a standard minimum, and no difficulty was expressed with regard to the possibility of preparing a schedule of these exceptional cases. After all, this will not, it is presumed, reach even 10 per cent. of the dock labour of the country. The report which is now made is upon the footing that the parties in this reasonable attitude will, with the assistance of the Ministry, see that a schedule of this kind is set up.

It would be improper to compare the minimum now asked to be set up with the lowest figure of wage obtained in the scheduled ports. A great evening-up of underpaid work will take place, and the parties indicated that, once the principle of the minimum was settled, this could be done by them without difficulty. In London, for instance, the Port of London Authority pays 11s 8d per day, whereas Ocean Shipowners pay 13s 9d per day, while in Glasgow the general rate of payment of a docker is 14s per day. It may be noted that the pledge given on behalf of the men was in these terms (to use the words of Mr. Bevin addressing this Court) "I am conscious that whatever your decision may be, if the principle of the minimum be established some people in some parts are

"going to get more on the first settlement than others. We have faced that, we have discussed it with the whole of our men. It was assumed by the Chairman of the employers at the previous meeting, to take a striking illustration, that if Liverpool received 12s per day, and Glasgow 14s, if you decided on 16s a day Glasgow would say '18s., because I was above Liverpool before.' That is not so, my Lord. That is clearly understood by every member of the Federation in every port in the "country." In these circumstances to start with 11s 8d as a general datum of difference with 16s. while ignoring all other cases of higher wages and lesser differences would be productive of serious error . . .

45. The Court, having inquired, reports to the Minister of Labour that in its opinion the results are as follows:—

- (1) That with a view to establishing a national minimum standard (to use the words of the claim) the minimum for day workers and pieceworkers shall be 16s. per day on the basis of the national agreement for the 44-hour week.

MINORITY REPORT

We are unable to sign the Report as approved by the majority of the Court

7 We are unable to assent to the proposal to establish a national minimum rate .

(2) Our opinion is that if the 16s. per day were conceded to the lowest-paid workers, corresponding increases would be claimed by all the higher grades of dock workers. An undertaking was given that the full "differentials" would not be insisted upon by the unions, and that the strength of the transport worker's executive would be used to carry out this undertaking. But the experience in the numerous awards during the war is opposed to the expectation being fulfilled, and the claims of the higher grades, after so many precedents to the contrary, would be difficult to contest.

33—DECISION—PACKING HOUSE INDUSTRIES— UNITED STATES (1920)¹

This case presents without complications one of the questions touched upon in preceding cases. Should a uniform standard rate be established for one industry throughout an area in which there are definite differences of wage rates in other industries? This question obviously must often turn into one of degree.

5. It seems that in the Fort Worth and Oklahoma City plants the common labor rate is 50 cents or thereabout, instead of 53 cents as generally elsewhere in the industry, and one of the demands is to make the rate in these places equal to that in the others. This difference has

¹ Decision—Arbitrator, U. S. Administration for Adjustment Labor Differences in Packing House Industries (1920). pages 9-10.

not come about by any failure to apply to these places all of the increases awarded from time to time under the administration, but through the rate there having at the beginning of the administration been lower by that much than in the other packing house centers. I have repeatedly stated that it was not my purpose to equalize the varying rates of the different localities, nor indeed of the different employers in the same locality. If, however, there was no basis whatever for this distinction, I would be strongly inclined to make the advance in these places. But I find it to be a fact that the usual common labor rates prevailing in these places are in the main somewhat lower than common labor rates in other centers. It was probably out of this that the original difference arose, and I am satisfied there has been no change in this regard up to the present time. I am therefore not now inclined to make the changes in this respect demanded.

34—DECISION—AUSTRALIAN COMMONWEALTH COURT— FEDERATED ENGINE DRIVERS CASE (1913)¹

This case is printed as a simple illustration of the policy of making variations in the established standard rate based on differences in the cost of living at the different centers of the industry.

Differences in Cost of Living as Between Localities

In my recent judgment in the Gas Employees' case, I have recognized, and, as far as possible, acted upon, the figures supplied by the Commonwealth Statistician as to the differences in cost of living in the different capital cities. According to the most recent figures at hand—if the purchasing power of £1 in 1911 be taken as a base, on an average for the six capital cities, the following sums would be required now in order to purchase the same commodities. This would mean that Sydney is 12½ per cent dearer than Melbourne. It appears from the same report that since 1911, the cost of living has increased in Sydney by 15.6 per cent, in Melbourne and Hobart by 11.5 per cent, in Adelaide by 8.3 per cent, in Brisbane by 6.9 per cent, in Perth by 1.7 per cent. These figures are both interesting and valuable; and it is my duty to see that the results are, though necessarily in a rough fashion, reflected in my award.

35—DECISION—LADIES GARMENT INDUSTRY—CLEVELAND²

When variations are introduced into the standard wage scale established in an industrial area, based upon differences in the cost of living at different points within that area, there may

¹ Federated Engine Drivers, etc. *vs.* Broken Hill Proprietary Company *et al.* Commonwealth Arbitration Reports Vol. 7 (1913) page 141.

² Decision—Board of Referees—Cleveland Ladies Garment Industry—December 31, 1922.

be a tendency for enterprises to shift their work to the lower wage points—unless the others offer compensating competitive advantages. This case illustrates such a situation; the Cleveland manufactureres moved their plants to the small towns outside of Cleveland to take advantage of the lower wage rates established there, because of the lower cost of living. In this instance an attempt has been made to control the wage differences.

The same question has often arisen in the New York Garment Industry and in many other industries.¹

Second. As to the out-of-town shops, we are of the opinion that there ought, of course, to be differentiation in the wage scales based on the difference in the cost of living; but on the other hand we can not agree that because a Cleveland manufacturer may do a jobbing business, therefore he may manufacture in the neighboring towns regardless of the agreement and thereby create a real competition between his own and the other Cleveland factories and the out-of-town shops controlled by him. We don't think that the maintenance of his Cleveland factory force is sufficient evidence of good faith in the real sense of the word. We believe strongly, however, that the parties should endeavor to get together and determine in each instance what the proper differential should be, based upon the difference in conditions in the two communities, whether it be Painesville, Ohio, or even some other place in Ohio further removed from Cleveland than Painesville. Just what the neighborhood or the vicinity of Cleveland is, whether 60 miles is too far, or 30 miles not too far, is of course an exceedingly difficult question to determine.

SECTION 5

THE PRINCIPLE OF STANDARDIZATION AS APPLIED TO OCCUPATIONS CARRIED ON IN MORE THAN ONE INDUSTRY

The members of a craft are often employed in more than one industry. The question arises, therefore, whether the wages of crafts thus employed should be standardized, whether the same minimum standard rate should be established for all members, no matter in what industry employed.

That policy is subject to criticism based on one or all of several grounds, the chief of which are, (1) the existence of such

¹ The matter has always been an element in the wage situation in the New York printing industries. For interesting instance and detailed discussion of it, based on briefs presented by employers and workers, see "Arbitration Proceedings and Finding and Award in the Dispute Between Closed Shop (Printers League) Branch New York Employing Printers Ass'n., Inc. and Typographical Union No. 6, New York City, 1922." Unfortunately these proceedings were far too great in bulk to reprint.

differences of the sort that have been discussed in the preceding sections; (2) the contention that the wages of all workers in an industry should vary to some extent at least with the condition of that industry, and not only with the wages of other members of the same craft employed in other industries.

The cases in this section bring out the positions which may be taken on the subject, and the chief matters that require consideration.

It can be stated confidently that the differences in wages between sections of a craft employed in different industries will always tend to be relatively small—assuming that the advantages and disadvantages of employment in the several industries are approximately equal. Therefore any policy under which considerable and lasting differences are maintained between one section of the craft and the other sections is apt to lead to industrial disturbance, unless there are compensations for these differences.

36—DECISION—BRITISH INDUSTRIAL COURT— RAILROAD SHOPMEN (1922)¹

This decision deals with all aspects of the question presented by the employment in the railroad industry of certain groups of craftsmen who are employed in far greater numbers in other industries. The matter arises in all industries employing "mechanics" or skilled building trades workers—should a standard rate for the craft throughout all industries be established or should the wages be settled in each industry independently? Both policies are open to some objections which are here discussed.

3. The case is one of an extremely complex character. The employees concerned belong to the class known generally as railway shopmen, who may be described broadly as those manual workers employed by railway companies who are not employed immediately and directly in the working of traffic. The work done by railway companies incidentally to their main purpose of providing transport is many-sided in character and of great extent. Not only do the building and maintenance of locomotives and rolling stock give rise to an enormous amount of mechanical engineering and coach work, but the upkeep or construction of stations, signals, telegraphs, tunnels, bridges, docks and ferries necessitates the employment of many classes of workpeople associated with many other trades and industries.

¹ Railway Shopmen—England and Wales—Decision No. 728. British Industrial Court Decisions (1922)

4. The origin of the present differences is to be found in the requests which were made to the railway companies in and prior to the year 1914 and have since been repeated from time to time by several trade unions for payment of "district rates," that is to say, the rates agreed upon or recognised by organised employers and workers in particular trades and industries in particular localities

6. The request for district rates, reiterated before the Court, indicates the demand now put forward by the National Federation of Engineering and Shipbuilding Trades, the National Federation of Building Trades, and certain of the constituent unions of the National Federation of General Workers

7. The claim for district rates is based on the contention that insofar as the railway companies employ men who are members of a particular craft or calling, they should pay the rates of wages which are recognised by other employers in that trade. For example, it is contended that to men employed in the engineering grades the rates recognized in the engineering trade should be paid, while the men employed in coach-making or in housebuilding should receive the rates respectively recognised in the carriage and wagon trade and the building trade

8. Certain railway companies in England and Wales have conceded to craftsmen, or to certain classes of craftsmen, the principle of the district rate of wages; but where this has been done, it has been sometimes accompanied by the deduction of a "differential," that is, a sum considered to represent wholly or in part the value of certain privileges enjoyed by a railway worker over and above those common to his fellow workers in the employment of outside firms

For these reasons, among others, the rates of wages paid by railway companies to men of the same description in different centers show considerable variation

The claims to district rates have given rise to many difficulties. Principal among these is the fact that for many classes of workers at many places district rates do not exist, or are not generally recognised, so that, to deal with the present position merely by declaring in favour of district rates, would be to leave untouched very large numbers of employees. There is also the further though less serious difficulty that in some places, and as regards some trades, the rate generally recognised as the district rate is related to a class of work which, though nominally the same, is in fact different from railway work, and the district rate is, therefore, either by excess or deficiency, inappropriate to railway employees. It has also to be borne in mind that district rates are determined by employers and workpeople outside the railway industry; and to concede the claim for district rates would be to bind the railway companies and the railway employees to the observance of decisions to which they were not parties, and which may have been brought about by conditions not applicable to railways. Moreover, movements in wages do not occur in all trades simultaneously, or by the same amounts; and the payment of district rates would involve a position in which some workers employed in a railway workshop would be liable to suffer reductions or enjoy advances in wages at a time when no similar reductions or advances applied to their fellow workers in the same establishment. Such a condi-

tion is not unknown in large establishments employing numerous classes of workers; it obtains to some extent in railway shops at the present time; and is in some degree inevitable. But its general inconvenience is so manifest that serious reflection is required before a change is made which would intensify difficulties of this kind rather than diminish them. . . .

The difference . . . involves the question whether so far as their manufacturing and maintenance work is concerned, the railways are to be regarded as being engaged in a large number of different industries, and whether they should observe the rates pertaining to each. The Court have given this question the thought and consideration its importance merits. So vast an organisation as the railways of England and Wales must, as regards the employment it affords, present special and peculiar features. On the traffic side this fact is obvious and well recognised, and the great majority of all the employees of railway companies are in receipt of wages on the basis of their being railway workers, without direct reference to the rates of pay obtaining in other industries. It appears to the Court that the principle, thus recognised, of regarding railway service as an industry in itself is a sound one, and that the principle should be applied to the manufacturing side of the companies' activities. The manufacturing and maintenance work undertaken by railway companies is of such great extent and so closely connected with the main business of transport that it cannot properly be regarded as something merely subordinate to it. It is bound up with the whole question of the prosperity and success of railway enterprise, and cannot in practice be divorced from the other functions of the companies. It has also to be noted that the manufacturing work of the companies is non-competitive in the sense that the products are not made for sale but are used for the companies' own purposes.

16 The Court have, therefore, reached the conclusion that railway service should be regarded by them as being a distinct industry to which special conditions attach, and that the Court's Decision should not impose on the companies and the employees an obligation to adopt or follow the rates of wages agreed upon or recognised by employers and workers in other industries employing similar classes of labour. In other words the Court have decided to proceed upon the basis of determining railway rates for the various classes of workpeople before them, and not award district rates as such.

17 While, in the Court's view, the proper course is to regard the railway service as an industry in itself, it is manifest that where it draws upon supplies of labour of a kind required in other industries, the rates of wages paid by the railway companies cannot, without inconvenient consequences, differ too widely from the rates obtainable by the men elsewhere. But to say that the rates within and without the railway service should be generally similar, is not to require that they should be absolutely identical, or that they should always move in unison. In determining the rates to be paid to railway shopmen, the Court have kept in view, among other factors, the district rates of the various classes of workmen, where such district rates exist. But, for the reasons already set out, they have not regarded such district rates as binding upon them and as predetermining their decision.

37—DECISION—BRITISH INDUSTRIAL COURT—IRON
WORKS CASE (1920)¹

This case deals with a situation similar to that considered in the preceding railroad case. In this case, however, the court appears to place more weight upon the existence of the standard occupational rate than in the preceding one, and appears to suggest that the work of building trades mechanics is not so integral a part of the main work of the enterprises concerned, as the work of railway shop mechanics on the railroads. The two cases emphasize opposing tendencies.

(Claim for District Building Trade Rates)

5 The claim of the Unions is for the district building trade rates. It was urged that these rates are almost generally paid by employers in engineering and steel works in the district who employ men of the class now concerned on similar work, the usual arrangement being to pay the building trade rates whilst adhering to the engineering conditions of employment involving a 47 hour week. It was stated that the local competitors of the firm concerned are already paying to their corresponding workers the rates now claimed.

6. The employers contended that, whilst they are willing to make some adjustment of the present rates, the granting of the claim and the departure from the present system of calculation of wages is unwarranted by the circumstances and would involve difficulties with a large number of other workers who are not concerned in the present case but whose wages are regulated on the same system as now prevails for the workers covered by the present claim. The firm pointed out that it is practically necessary to pay the same rates in the two establishments concerned and that it is quite possible that the building trade rates applicable, according to the building trade's regional schemes, to the two places in which the establishments under consideration are situated, may eventually differ by the regrading of the Stoke-on-Trent area, this would result, if the building trade schemes should be strictly applied, in complications as regards the workers in the two establishments.

7. The firm claimed that the rates agreed upon in the building trade, where the advances made are covered by clauses in contracts providing for fluctuations in wages or by enhanced charges to the public, should not be applied to maintenance workers whose employers have not the same opportunity of reimbursing themselves. They further contended that the work is practically continuous and that it is not fairly comparable with that done by corresponding workers in steel works where the working conditions are much more arduous than in the works now concerned.

¹ *Iron Works—Bricklayers, etc. versus Robert Heath & Low Moor, Ltd.* Decision No. 498. *British Industrial Court Decisions*, Vol. 3, Pt. 2 (1920), pages 14-16.

8. It appears that the principle of regulating the wages of men employed by a firm according to the rates prevailing in their respective trades has been adopted by a considerable number of employers in the districts contiguous to that under consideration. Whilst this principle has not been generally adopted the Court recognise that there has been a distinct and increasing movement in that direction amongst employers throughout the country. The question of applying this principle to the men now concerned has received the very serious consideration of the Court who have carefully reviewed the facts and arguments submitted to them. In view of all the circumstances the decision of the Court is that the men concerned in the Biddulph and Norton Works shall receive the district rate of their trade, the Norton Works being considered as being in the same district, for the purposes of this decision, as the Biddulph Works. . . .

SECTION 6

WAGE STANDARDIZATION AND DIFFERENCES IN THE PROFITS OF COMPETING ENTERPRISES WITHIN AN INDUSTRY

The principle of standardization is aimed to establish a uniform minimum wage for defined classes of workman, to be paid by all enterprises employing these classes of workmen. But there is often a great difference between the profit situation of different enterprises in the same industry employing the same classes of workmen. It happens frequently, therefore, when an attempt is made to establish standard wage rates within an industry, that the principle is opposed on the ground that the differences in the prosperity of different concerns should be recognized when setting wages. Or particular concerns will argue that they cannot pay the standard wage rate and continue operation, and therefore claim a lower rate. The opposite situation also arises: the workmen employed in particular enterprises will demand an increase in the standard rate, or a rate higher than the standard, on the ground that the enterprises which employ them are unusually profitable and can afford to pay the higher rates.

These differences of profits may rest upon differences in competitive advantages, a situation illustrated and discussed in Section 2. But they may and do arise where there is no clear difference of basic advantages, due to any or all the great number of influences which play a part in determining the prosperity of a business.

The following cases illustrate these situations and bring them under discussion. The general problem of policy they present is this: should wages be adjusted to the profit situation in particular enterprises or sections in any industry, when there exists a well established standard wage for the type of labor concerned, otherwise applicable to these enterprises or sections?

This problem of policy must be carefully distinguished from the problem presented when it is claimed that the standard wage for a class of labor is too high or too low, considering the general profit situation throughout the whole of the industry or industries employing this labor. That other problem is discussed in the two chapters upon upward and downward wage adjustments (Chapters IV-V) in connection with the principle of the "condition of industry." The two shade into each other, it is true, and there are certainly borderline cases. Practically none of the cases in this section are of that variety, however. In them there is a definite contrast between the profit situation of the particular enterprises concerned and the rest of the industry

38—ARBITRATION—EASTERN RAILROADS (1912)¹

The following decision is a clear presentation of one point of view on the question whether wages should be varied because of the profit situation in particular enterprises.

It is clear to the Board that from the point of view of the present arbitration "systems" should be considered rather than the individual elements of the system, for their relations and business are so interwoven that even if a unit of the system considered by itself were unprofitable, taken in connection with the whole system it might be profitable, since it may be a valuable feeder to a large road and furnish business which has a long haul over such a system

This being the case, any award should clearly apply to those systems—about 80 per cent of the mileage of the roads concerned, and if exceptions are made they should be limited to roads included in the remaining 20 per cent. If these roads, some of which are weak, were parts of a larger system, or the mileage of the Eastern District were operated as a unit, the question would not arise regarding exceptional consideration of these roads, since they would act as valuable feeders to the larger roads. Further, while these independent roads do not have official corporate relationships to the larger systems, as a matter of fact the stock in them is to a considerable extent owned by the same group of financial interests which control the larger roads in the region

¹ Report of Board of Arbitration between Eastern Railroads and the Brotherhood of Locomotive Engineers November 2, 1912

The Courts have declared in various cases, in administering the receivership of railroads, that the public safety is the paramount consideration, and that a railroad's financial embarrassment not only does not warrant reducing the pay of employees below what was paid before the receivership but have ordered the receivers to pay the "going" rate of wages for the different classes of employees

Therefore, considering all the facts, the Board cannot recognize the smallness and weakness of the roads as a controlling factor in fixing wages . .

39—DECISION—RAILROAD LABOR BOARD—MISSOURI AND NORTH ARKANSAS RAILROAD (1922)¹

In the case of public utilities, such as railroads, which are essential to the life of a community, a reason of unusual force is sometimes presented for varying a standard wage because of the profit situation of a particular enterprise.

The case printed below merely illustrates the situation; it does not undertake an analysis of the interests involved. To the extent that there is other employment open to the workmen concerned, they need not, of course, accept the reduction from the standard rate that is made, to the extent that there is no other employment economic pressure serves as a compulsion.

Question—This decision is upon a petition from the receiver of the Missouri & North Arkansas Railroad for authority to reduce rates of pay for its employees in train and engine service, station and telegraph service, and in the maintenance of equipment and maintenance of way departments

The Missouri & North Arkansas Railroad has been in the hands of a receiver since the year 1912 and has not since that year paid any return on the investment. It serves a territory of approximately 500,000 population, 145,000 of which is served exclusively by this carrier. It was placed under Federal operation in September, 1918, and the orders of the Administration with respect to wages and working conditions were applied. After the issuance of Decision No. 2 of the Labor Board the carrier applied to the Interstate Commerce Commission to provide adequate funds to pay the wages established by that decision, and for other purposes, as set forth in Interstate Commerce Commission proceedings, Ex parte No. 74. In its presentation to this board the carrier has set forth that it has appealed to the Interstate Commerce Commission for assistance to resume operation and has appealed to the executives of carriers in the territory which it serves for a sufficient division of rates to provide adequate income to pay operating expenses, taxes, and interest on a proposed loan

¹ Missouri and North Arkansas Railroad vs. Brotherhood of Locomotive Engineers et al. Decision No. 724 U. S. Railroad Labor Board Vol. 3 (1922) pages 134-7

from the Government, if granted. The carrier has shown that in order to resume operation of the property a reduction in wages equivalent to an annual saving of \$310,000 must be made and this would require the application of the decreases authorized by the board in Decision No. 147 for the classes of employees referred to therein and a further reduction of 25 per cent in the wages established by the application of Decision No. 147.

If this request is not granted, the carrier contends that it is inevitable that the road must be scrapped, with the result that thousands of people along the line will be out of employment with great loss and inconvenience to all those who have made investments in farms, homes, manufacturing establishments, financial institutions, schools, and churches along the line of the railroad on the theory that it was to be an operating railroad. The carrier's proposition further contemplates that the owners of the property shall not receive any return upon their investment until the Government loan which is contemplated is paid off and wages of the employees are restored to the standard scale. . . .

Decision.—The Labor Board decides that the proposition contained in the submission made by the representatives of the carrier, dated October 10, 1921, shall be accepted by the employees. . . .

40—CANADIAN INDUSTRIAL DISPUTES ACT—GRAND TRUNK RAILWAY CASE (1908)¹

This case is an instance of a wage award in which the profit situation in a particular enterprise is taken into account.

The Board were much pressed by the suggestion that the same Board had recommended a higher rate of pay to the Telegraphers in the service of the Canadian Pacific than they were prepared to recommend in the present instance. We are glad to be able to report that the parties appreciated the reasons why the members of the Board could not in this instance see their way to the recommendation of any higher rate than that finally agreed upon between the parties, and we desire to put upon record some of the reasons why we came to this conclusion.

We thought, under the present conditions, that the offer of the Company in the matter of increase of wages was all that could be justified. There are many considerations entering into the question. In our view, there is the right of the men to receive a living wage, and that right is paramount. The workman is entitled to get a fair day's wage for a fair day's work. What, however, often seems to be ignored is that capital and labour are both necessary in order to produce a profit, whether it is in the operation of railways, in manufacturing, or in any other branch of trade. The aim of the worker should be to secure a fair share of this profit. But there is also to be considered the position of the men who advance the money to enable the undertaking to be carried on, which

¹Report of Board in Dispute, Grand Trunk Railway Company and its Telegraphers. *Canadian Labour Gazette*, February, 1908, pages 952-3.

gives employment; he, [sic] too, is entitled to receive a return for his money and his risk. A hundred millions of the capital stock of the Grand Trunk Railway receives no dividend whatever. If such dividends on the preferred stock as are now being paid are still further reduced by the wages bill being increased, what must necessarily follow? The Company cannot obtain further money for expansion, for it can be more remuneratively employed in other undertakings. This certainly would be a disadvantage to the vast numbers who find employment on railways. Then there is the constant demand of the public for the betterment of the service and equipment, for increase of facilities, the bettering of the roadbed, and general improvement in the accommodations. These can only be obtained where the parties asked to advance the money can see some possibility of return for the advance. Our experience on a number of these Boards has led us to the conclusion that there seems to be an oversight on the part of the public on two things; first, that there is a continual demand for an increase of expenditure upon the part of the Company for facilities, and second, a continual demand for a reduction of the tariffs which furnish the monies necessary to provide these facilities and accommodations. The growth of earnings is not keeping pace proportionately with the growth of expenses. If the operating expenses and the wages to employees must be increased from time to time, and the public so demand, very serious considerations must be given to proposals for the reduction of freight and passenger rates, inasmuch as every reduction directly affects the ability of the railways to pay the wages asked by their employees. There is no doubt that the cost of living has greatly increased, and that the employees of a railway company are entitled to be better compensated to meet such increased cost, but surely they are not entitled to be compensated at the sole expense of people who have invested their money, and who would in turn be deprived of their means of livelihood. The public should bear their share. The railway employee spends his money for the benefit of every other member of the community, from farmer to manufacturer, and if the employee has to obtain more money to meet his increased cost of living, other classes of the community who receive the benefit of the money he spends should contribute their share towards enabling him to get the money he has to spend, and it is for the foregoing reasons that, under the present conditions, and having in view all the surrounding circumstances, we thought that the offer of increase made by the officials of the Grand Trunk Railway Company had gone as far as could be justified, though not necessarily to the limit which the Telegraphers ought to receive under other circumstances. The deterring of the investment of capital in railway undertakings would certainly not be a benefit to the community at large, and if the property of lenders is to be practically confiscated between the demand of the public on the one side and the demand of the employees on the others, it must lead to a general reduction in wages or a shrinkage in the number of employees, with a much greater ultimate loss to labour. It has been suggested that this state of affairs be met by the state becoming sole owner of the railways. To accomplish this, the capital necessary to make railways and work them would still have to be found. The mere fact of state ownership does not

bring capital down from the skies like the manna to the Israelites in the desert. If borrowed by the state, interest must be paid for it, probably at a higher rate than the state now has to pay, for two reasons; first, because of being larger borrowers; second, because of the risk incident to industrial undertakings. If raised by taxation, this would be nothing more than getting it from the collective resources of the country. The wages, other than the living wage before referred to, which are paid by railway companies to their employees must, therefore, disguise it as we may, depend upon what a company earns after the interest on capital employed is paid. This may equally be said of all industrial and commercial undertakings, and no amount of vague, philanthropic talk can alter this fact any more than it can alter the fact that two and two make four.

41—DECISION—AUSTRALIAN COMMONWEALTH COURT—BROKEN HILL PROPRIETARY COMPANY (1909)¹

The problem whether to make exception to an established standard wage rate because of the profit situation in a particular enterprise is apt to be presented in unusually sharp form in the case of extractive industries, because of the difference in the properties of various companies. That situation is the same as that considered in another decision reprinted (Case No 42), and the opinions of the two courts are substantially alike, but in this decision the question is discussed more fully.

JUDGMENT

This is a dispute between, on the one side, a Union—an association registered under the Act,—of persons employed in the mining industry; and on the other side a Company, which, before the dispute, employed, at Broken Hill, in New South Wales, and at Port Pirie, in South Australia, about 4,195 men, mostly members of the association. At Broken Hill the crude ore is obtained by mining, and is put through various processes of milling and concentration. The concentrates are sent to Port Pirie and are there smelted and refined for metallic lead, metallic silver, and some metallic gold. The tailings left after taking the lead and silver concentrates contain zinc, and are reduced at Broken Hill to zinc concentrates. These zinc concentrates have hitherto been sold to certain foreign syndicates; but the Company has recently taken measures for the extraction of the metallic zinc (spelter) at its works at Port Pirie. The Company also produces materials for flux at Iron Knob and at Point Turton, in South Australia, and produces coal and makes coke at Bellambi, in New South Wales; but the employees at these latter places are not within the ambit of this dispute.

¹ Broken Hill Proprietary Company Limited *vs.* Barrier Branch of the Amalgamated Miners Ass'n. of Broken Hill. Commonwealth Arbitration Reports Vol 3. (1909). pages 15 *et seq.*

I take it that my duty is to make such an award as will set the wheels of this mammoth enterprise going again, if it is possible for me to do so on just terms, and with due regard to the human lives concerned.

As I have said, the prayer of the claimant union is that the Company may be bound by the agreement to which the other great Broken Hill Companies have assented, and in accordance with which the minor companies act. It is obvious that the unions could not honourably give to the Proprietary Company better terms than to the other companies which have consented to the new agreement for two years; but it might be quite a different position if the Court should see fit, notwithstanding a protest on the part of the union, to dictate terms more favorable to this Company.

At an early stage of the hearing, I found unpromising indications of inflexibility as to demands; and, as the time of the Court would be expended uselessly if the Company would not give work unless I gave an award of which it approved, and if the men would not accept work if I refused any of their claims, I demanded an undertaking from both sides. The unions met, and undertook, through their counsel, that the men—at all events, men sufficient for any wants of the Company—would accept work at such wages and conditions as I should fix; but the Company, through its counsel, merely undertook to resume operations, in accordance with my award, so far as regards the production of zinc concentrates, and so far as regards the smelting and treatment of lead concentrates purchased from other companies. These latter contracts will expire with the present year, except, I understand, one, which expires about March next year. The Company would not assure me that they would resume full operations as before. The truth is—and this fact is at the root of the whole difficulty—that in the opinion of the Company's officers the days of this great mine are approaching an end. The General Manager says that the mine has not five years' life as an ore-producing concern, and that at the present rate of extraction it could not pay to work it after two and half-years. The lodes are becoming narrower, and the cost of extraction becomes greater in proportion. The assay values of the ore produced are becoming less. The prices of necessities, such as coal, water, candles, have greatly increased; somewhat over £13 per ton silver, about 2s. per ounce. Mr Delprat, who has assisted the Court materially by his clear, concise, and masterly synopses of facts and figures, says that with such prices, and at the rates of pay prescribed by the agreement of December 1906, the Company, if in full working, producing about 550,000 tons of ore per annum, would lose about 8s. per ton of concentrates, or 1s. 4d. per ton of crude ore. This statement must be qualified by other facts admitted by Mr Delprat; but I am prepared to deal with the case on the Company's own basis. The Company, therefore, has proposed in effect, to reduce the wages bill by some £60,000 to £70,000 per annum—in other words, to reduce the cost by some 10s. 9d. per ton of concentrates; and this would turn the loss of 8s. per ton into a profit of 2s. 9d. per ton.

Now, the first condition in the settlement of this industrial dispute as to wages is that, at the very least, a living wage should be secured to

the employees. I cannot conceive of any such industrial dispute as this being settled effectively which fails to secure to the labourer enough wherewith to renew his strength and to maintain his home from day to day. He will dispute, he must dispute, until he gets this minimum; even as a man immersed can never rest until he gets his head above the water. Nor do I see any reason yet for modifying my view of a living wage as expressed in the Harvester case (2 C.A.R. 1), and in the Marine Cooks case (2 C.A.R. 55). In finding the living wage, I look, therefore, to find what money is necessary to satisfy "the normal needs of the average employee regarded as a human being living in a civilized community."

In the present case, it was reassuring to find that the counsel for the Company, the General Manager, and even the Chairman of Directors, notwithstanding his strong prepossessions in favour of the inexorable laws of demand and supply, all assented to the doctrine that no man ought to be asked to work for less than a living wage. The result of this admission is that I may proceed to consider the prices of necessary commodities at Broken Hill and at Port Pirie, in order to ascertain what is the least sum that will enable an unskilled labourer to live in the sense to which I have referred. For Broken Hill, the Company offered 7s. 6d. per day; the union asked 8s. 7½d. per day, the wage paid by the Company and the other companies in 1907-8, and still paid by the nine companies. For Port Pirie the Company offered 7s. 2d. per day; the Union asked 8s. 3d. per day, the wage of 1907-8.

Living at Broken Hill

... The cost of living at the Barrier is undoubtedly much greater than in Melbourne or in Adelaide, and I am driven—as any impartial person who has heard the evidence must be driven—to the unhesitating conclusion, that the minimum wage proposed by the Company is not a sufficient living wage in Broken Hill; that the 7s. 6d., which is the standard rate for miners in Victoria, is not sufficient for Broken Hill; and that no less than the full sum of 8s. 7½d.—the minimum fixed for unskilled labourers by the agreement of December, 1906, and now claimed by the men—is required for the healthy subsistence of an average family.

Disadvantages of Broken Hill

There is no doubt that many who have not seen the Barrier, and who are familiar only with the wages prevailing in Adelaide, Melbourne, or Sydney, must think 7s. 6d. per day to be an ample wage for an unskilled labourer, and must regard 8s. 7½d., the minimum demanded by the men, as remarkably liberal; but they cannot form a safe opinion without learning the cost of living at Broken Hill.

Now, in computing the living wage, I have arrived at a standard of 8s. 7½d. per day, without taking into account the climatic and other discomforts and dangers of the Barrier district. . . . My estimate of 8s. 7½d. as the minimum wage is made apart from these considerations of danger and discomfort to the men; but these same considerations would

make me very chary of reducing, without very strong grounds indeed, any of the remuneration which I find to be fair to the employees. . . .

The Financial position of the Company

The proper course in any inquiry such as this would seem to be to ascertain, first, the wage to be paid to the unskilled labourer, then the proper wages to be paid to those who have extra skill, on the assumption that the employers can pay whatever wages are proper; and then to hear any evidence, and consider any arguments, adduced to show that the employer ought to be asked to pay such wages. In the Harvester case, and in the Marine Cooks' case, it was admitted that the employers could pay such wages as the Court should find fair and reasonable, so that I had not to face the difficulty which I now have to face. First of all, is an employer who is poor to be ordered to pay as high wages as an employer who is rich? Now, without laying down a rule absolute and unconditional under all circumstances, I strongly hold the view that, unless the circumstances are very exceptional, the needy employer should, under an award, pay at the same rate as his richer rival. It would not otherwise be possible to prevent the sweating of employees, the growth of parasitic enterprises, the spread of industrial unrest—unrest which it is the function of this Court to allay. If a man cannot maintain his enterprise without cutting down the wages which are proper to be paid to his employees—at all events, the wages which are essential for their living—it would be better that he should abandon the enterprise. This is the view independently adopted by Mr. Justice Gordon in Adelaide, and by Mr. Justice Burnside in Western Australia. The former said, in the Brush-makers' case, "If any particular industry cannot keep going and pay its employees at least 7s. a day of eight hours, it must shut up." In the Collie Miners' case, Mr. Justice Burnside refused an application of the employers to lower the minimum, and said, "If the industry cannot pay that price, it had better stop, and let some other industry absorb the workers." Both the other members of the Court concurred in the latter decision. (6 W.A.Arb. Reports, 84.)

It is not the function of this Court to foster slackness in any industry; and if A, by his alertness and enterprise, and by his use of the best and most recent appliances, can make his undertaking pay on the basis of giving proper wages to his workmen, it would be most unjust to allow B, his lazy and shiftless rival, to pay his workmen lower wages. In short, the remuneration of the employee cannot be allowed to depend on the profits actually made by his individual employer. This proposition does not mean that the possible profits, or returns, of the industry as a whole are never to be taken into account in settling the wages. For instance, the fact that the industry is novel, and that those who undertake it have at first to move very warily and economically, might be favorably considered. So long as every employee gets a living wage, I can well understand that workmen of skill might consent to work in such a case for less than their proper wages, not only to get present

employment, but in order to assist an enterprise which will afford them and their comrades more opportunities for employment hereafter. For this purpose, it is advisable to make the demarcation as clear and as definite as possible between that part of wages which is for mere living, and that part of wages which is due to skill, or to monopoly, or to other considerations. Unless great multitudes of people are to be irretrievably injured in themselves and in their families, unless society is to be perpetually in industrial unrest, it is necessary to keep this living wage as a thing sacrosanct, beyond the reach of bargaining. But when the skilled worker has once been secured a living wage, he has attained nearly to a fair contractual level with the employer, and, with caution, bargaining may be allowed to operate

Now, in this case, if I accept Mr. Delprat's figures—and there is no evidence that they are wrong—this Company cannot pay the wages of the last two years, because the mine is very near its end. The lodes are dwindling, the expenses (per ton of concentrates) are becoming greater, the ore itself is of less assay value. In addition, at present the price of metals is rather low. I have fixed the wages proper to be paid to the different classes of employees. I find that these wages which I have fixed as proper are being actually paid by nine of the principal mines in Broken Hill—in fact, by all the mines in active operation with the exception of the Proprietary Company, and of Block 10 (which is under the same influence). It is not difficult to see the danger to industrial peace involved, when workmen performing the same work, with the same skill, in the same city, are receiving different remuneration. Such was the view of Cohen, J., in the 1903 Arbitration between the Broken Hill Mining Companies and the Claimant union, as reported in 2N.S.W. Industrial Arb. Reports, p 531 —“The policy of the Arbitration Act is equality and uniformity; and it would be a clear violation of that policy if this Court were to impose on that Company (the Proprietary) exceptional industrial conditions, and thus place it at a disadvantage with its competitors because, perhaps, through greater enterprise, greater ability in its scientific and general management . . . or other incidental causes, it is enabled to work to better advantage”

So that, when the Proprietary Company asks me to fix by my award wages lower than are proper for the industry as a whole, and adduces as its reason the fact that the mine is now poor, and is becoming poorer, I cannot discern either justice or expediency in the request. Ordinarily, if a mine has not payable ore, the owners cease to work it. Perhaps at some future time some process or expedient may be found whereby such ore as is left may be extracted with profit. What would the more highly paid workmen of Broken Hill and Port Pirie get as an equivalent if they were to consent to work for the Proprietary Company at wages below the proper wages? Counsel for the Company has taken great care to impress on me the terrible nature of the catastrophe if this Company stopped working. I recognise the catastrophe, and I recognise to the full my responsibility. This Company seems to dominate

great districts in two States, and it gives employment, directly and indirectly, to many thousands of people throughout Australia. But it has not—according to Mr. Delprat—more than two and half years of full work before it. If the catastrophe did not happen today, it is bound to happen very soon. It is quite possible that when I give my award some will attribute the stoppage of the mine to the award. “The directors could go on,” it may be said; “the Arbitration Court fixed the scale of wages too high.” But if such a statement be made, it will simply be untrue. What stops the mining is the deficiency of payable ore. But for this deficiency, the Proprietary Company would be now carrying on its mining and milling operations, paying the same wages as the other nine companies. Of course, it is a catastrophe that this mine should be closed down. But as the metals do not replace themselves on extraction, such a catastrophe is bound to take place in every mine at some time, and, in this case, must occur after a short interval. Still, it is a disaster, and from first to last it has been my endeavor to find some means whereby, without trenching upon the sacred living wage, the men and the Company could work harmoniously together. Counsel for the Company having suggested that there should be a sliding scale of wages, varying with the prices of the metals, I requested Mr. Delprat, at an early stage, to submit some scheme under which he could undertake to resume operations, without interfering with the unskilled labourers’ wage of last year—8s 7½d.—at Broken Hill. But the scheme submitted involved the cutting down of this wage. Again, in Melbourne, I expressed myself as anxious to consider some other scheme which should leave untouched the 8s. 7½d. at Broken Hill and the 8s. 3d. at Port Pirie; but, again, the sliding scale submitted on behalf of the Company proposed to cut down these figures. I asked what the claimant union thought of the proposal, and I was informed that the men would have none of it—that they would rather be out of employment. It was impossible for me to press the Union to consent, still more impossible for me to force the proposal on the men by incorporating it in my award. For to surrender any part of the living wage is to surrender the vital part of unionist effort on behalf of employees. I face the possibility of the mine remaining closed, with all its grave consequences; but the fate of Australia is not dependent on the fate of any mine, or of any one Company; and if it is a calamity that this historic mine should close down, it would be a still greater calamity that men should be underfed or degraded.

For the sake of brevity, I have spoken of the mining operations as having to be carried on at a loss to the Company. But it has to be borne in mind that there are some operations that still can be carried on at a profit—the smelting and refining of concentrates purchased from other Companies, the production of zinc concentrates from tailings, and the scale (or smelting) thereof, and the sintering of slimes. The profit from these operations, has, it seems, converted what would otherwise have been a loss into a net profit of £22,776 for the half-year

ending 31st May, 1908, and into a net profit estimated at £30,000 for the half-year ending 30th November, 1908. This is a vanishing mine; but the Company is far from being in any financial difficulty. With a capital fully paid up, or treated as paid up, of £384,000 (of which £287,117 1s. 8d., I am told, represents the price of the mine to the Company), the Company has, in the course of about 23 years, distributed eleven and a half million pounds in dividends and bonuses; and on the 31st May, 1908, the date of the last balance-sheet, the Company had not only £225,000 to the credit of the Reserve Fund (not specifically appropriated), and £35,000 to the credit of Insurance Fund; but it had also £522,703 undistributed profits, used, indeed, in the general business of the Company, but available legitimately at any time for dividends or for expenses. In the half-year ending 30th November, 1907, the actual profits earned were only £137,642; and yet no less than four dividends of 1s 6d, amounting in all to £288,000, equivalent to three-fourths of the capital of the Company, were distributed in that one half-year. In the half-year ending 31st May, 1908, the actual profits earned were only £22,776, and yet one dividend of 1s. 6d, amounting to £72,000, was distributed in that half-year. The mine stands in the balance-sheet at its cost price of £287,117 1s 8d, and (as I am told—for I have not been furnished with any but the last balance-sheet) this sum stands unchanged during all the years as the value of the mine as an asset, notwithstanding the huge depletion of the ores. It has not been the practice of the directors to make any provision in times of great profits for returning to the ultimate shareholders the full capital paid up. The Articles allow the directors to make such a provision, but do not render it obligatory. The policy has been to distribute, with certain deductions, all the available profits among the shareholders, and to treat the mine as still remaining worth the original purchase money.

Now, the effect of the Company's proposal to revert to the 1903 scale of wages would be that there would be about £33,000 less expenditure for wages for the half-year; and, with the other profits, this might mean a dividend to the shareholders. But it is apparent now that this £33,000 would have to come out of the workmen's necessities of life; that the dividend would be distributed at the cost of the workmen's breakfast tables—by reducing the food necessary for the worker and for his wife and children. On the other hand, it is not fair to abuse the directors, in their difficult position of grave responsibility to the shareholders, for not proceeding with mining and milling on the strength of the half million of undistributed profits. What the directors want is to get enough profits from each half-year's operations to pay dividends, and not to lean, as they have been leaning, on past profits. I certainly do not feel justified in ordering the Company to continue mining operations under the circumstances. It may be that I have power to make such an order (see section 38 (b), &c.). But even if I have, I should not exercise it except in extreme cases. In this case, I should be compelling the directors to extract the ore at a time when

the price of the metal is such that the extraction of ore is a losing business. It is not for the Court to dictate to employers what work they should carry on. It can merely, in such cases as this, prescribe fit conditions for human labour, if the Company employs it. If, as is probable, the Company should confine its operations to those which are profitable, and which it has undertaken to carry on, the great masses of the employees at Broken Hill will be left out of work so far as this Company is concerned. But the undertaking given me by the Union—an undertaking without which I should probably not have felt justified in pursuing this inquiry—distinctly involves the supplying of the Company with such men as it may require for any limited operations; and I should be grievously disappointed, and the Court would be hampered in its future action, if the Company find difficulty, after the award, in obtaining the men required at the wages which I have fixed. I shall certainly trust the Union, unless I find that it is not to be trusted.

42—BRITISH INDUSTRIAL COURT—LEAD AND ZINC MINE WORKERS (1920)¹

Another illustration of demand for variation of a standard wage because of the profit situation in particular enterprises, as it arises in the extractive industries.

3 On the formation of the Joint Committee these matters were fully discussed, but it was found impossible to arrive at a general agreement applicable to all the areas concerned, and it was therefore decided to refer the matter to arbitration, on the understanding that each district should be dealt with separately at the same hearing and by the same Court

4 The hearing was therefore divided into four parts as follows:

- (a) Central and South Wales (Lisburne Mine, Pontrhydygroes, Esgairmwyn Mining Company, Erwtoman Mining Company and the Lefel Fawr Mines).
- (b) North Wales, Shropshire and Isle of Man (Halkyn Mining Company, Limited, and East Halkyn Mining Company, Limited)
- (c) Cumberland, Westmoreland and Lancashire (excluding Alston) (Thorntwaite Mines, Limited, Vieille Montagne Zinc Company and at Greenside and Threlkeld).
- (d) East side of the Pennines, Alston District and the North Riding of Yorkshire (Weardale Lead Company, Limited, and the W B Lead Company).

5 The total annual output of lead and zinc from mines in the United Kingdom has diminished very considerably in recent years and

¹ *Lead and Zinc Mine Workers vs. The British Lead and Zinc Mine Owners Association*. Decision 402 *British Industrial Court Decisions* Vol. III Pt. 1. (1920). pages 70-3.

forms only a small part of the amount required yearly in this country. The Mine Owners' Association pointed out that the result of this is that the market price of the ore is quite beyond the control of the British owners, and that any increase here in the cost of production cannot therefore be met by a corresponding increase in the price at which the owners can dispose of their products

6. It was stated in evidence that at the present moment (with one or two possible exceptions) no lead or zinc mines are being worked at a profit, and that many mines have already been closed down owing to the increased cost of production

7. It was contended by the Union that in some cases in which the mines are not at the moment paying their way, this is due to the fact that repair and development work, which was necessarily to a great extent suspended during the war, has now been resumed and that present loss is only in the nature of expenditure for future profit . . .

13. The Halkyn mines in Flintshire, while stated to be rich in ore, are severely handicapped by water difficulties and very great expense is involved in pumping operations. The report of the Departmental Committee, appointed by the Board of Trade to investigate and report upon the Non-Ferrous Mining Industry, states with regard to the Halkyn District that "a consideration of the evidence and of reports received from mining engineers goes to show that this is the most important single lead-mining district in the United Kingdom, and that it is capable, if developed, of reaching and maintaining for many years to come an output of lead-ore greater than that of any other home area, and comparable with the present aggregate production of the remainder of the Kingdom" .

16 The Company stated that the working costs have increased by an amount which is out of all proportion to the increase in the selling price of their products, the percentage increases at this moment being (at the Halkyn Mines) 202 per cent in cost of production compared with 108 per cent in the market price of the output in May, 1920.

17 The East Halkyn Mining Company have been working since 1913 below the local drainage level and has incurred exceptional expense in dealing with the water difficulty. This necessitated the closing of one mine in 1914. . . .

19 The third area includes mines in which the wages and working conditions show very considerable variations. The wages paid to miners (not on contract) varied from 51s. 9d to 70s. per week and for labourers from 46s to 57s. per week

23. The Court have carefully and anxiously considered the problem which this case presents as to the possibility of differentiating between the different Companies and districts concerned having regard to their respective financial positions and stability. Taking the industry as a whole, it appears that there have been very considerable and sometimes rapid fluctuations in the general position from time to time.

A period of depression has followed a period in which it was possible for a mine of average potential to earn considerable profits, and the practice of building up a reserve in the time of prosperity to provide means to meet a reaction has presumably been adopted. In cases, if any, in which the margin has never been sufficient to enable this to be done, or where it is not likely in the near future that the mines can be worked at a profit, the continuance of operations would appear to be impossible except by the payment of low wages and the cutting down of expenses. The Court feel that any assistance in such cases by way of a differentiation in wages beyond what already exists would probably only prove a temporary expedient, and they have come to the conclusion that a decision in this case which would make such a differentiation and would bring the least advantage to the workers in mines already paying comparatively low rates of wages would involve very serious disadvantages not warranted by the uncertain possible advantages.

43—BRITISH INDUSTRIAL COURT—FEDERATION OF GAS EMPLOYERS CASE (1920)¹

The relative profit situations of the various enterprises within the same industry may be made the basis of a classification of enterprises for purposes of wage adjustment—differences being established according to capacity to pay. Although this decision does not contain any comment as to the desirability of such an arrangement, it is printed as an illustration.

3 It was intimated to the Court that the undertakings affected differ considerably in size, and are situated in England, Wales, Scotland and Ireland

4. The evidence submitted showed that the war has had an adverse effect on many of the undertakings. The increase in the cost of material—raw and manufactured—and the rise in wages have produced a position of affairs not contemplated when the legislation regulating and controlling gas undertakings was passed. Even some of the large undertakings which, before the war, were carried on with financial success, now show deficits

5. Some of the undertakings are very small, producing only nine million cubic feet of gas a year. It was submitted on behalf of the employers, that in these cases an additional charge in respect of wages would result in further serious financial embarrassment. It was accordingly submitted that should any advance be granted as a result of the present proceedings, those undertakings having a production of one hundred and twenty million cubic feet or more per annum should be

¹ National Federation of General Workers vs. The Federation of Gas Employers. British Industrial Court Decisions Vol. 1. (1920) pages 122-4

differentiated from those with a less production, leaving it to the work-people, or the employers, as the case might be, to raise especially the case of any undertaking which on this basis of differentiation should fall into a category where, having regard to all the circumstances, the advance might be inequitable by reason either of excess or deficiency.

6. The proposal was not accepted by the representatives of the work-people, who contended that all the proceedings prior to those before the Court had been conducted on the basis that the claim was a national and general one against all undertakings alike.

7. The Court have given careful consideration to the arguments addressed to them. They have in mind that the undertakings represented are for the most part statutory undertakings, and their products are in the main for purely local consumption, and that for these and other reasons, their ability to meet increases in working expenses is limited. In the Court's view it would be possible to discriminate between the various undertakings strictly on the basis of their capacity to meet increased charges, only as the result of a review of the circumstances of each individual case, and after considering the whole question of the wages prevailing in the industry and not merely of the war advances. Such an enquiry would not be practicable upon the present reference, and it becomes necessary, therefore, to consider whether any broad distinction between large and small undertakings should be recognised. In the view of the Court the case for a distinction of this character has been made out.

8. It is true that in their respective districts the undertakings represented are immune from competition in the supply of their chief product. But whilst in this sense a gas undertaking is a monopoly, it is a monopoly under effective control. Most of the undertakings work under statutory restrictions as to price, and the difficulties of adjusting prices to meet increased costs of production have not been entirely removed by the Statutory Undertakings (Temporary Increase of Charges) Act, 1918. Moreover, the business of a gas undertaking is necessarily confined to the district in which it is situated, and economies cannot be sought by an entry into new markets. The probability of recourse to alternative forms of lighting, heating and power as the price of gas increases must also be borne in mind.

9. Where the wages paid in an industry are so low as to leave the workers without the means of an adequate and decent livelihood, the financial position of the employers is a matter of secondary importance. So far as the Court were informed, however, the wages paid in the gas industry are not of this character.

10. After reviewing the merits of the claim and having in mind the above considerations, the Court decide that advances shall be given to male workers aged 18 years and over as follows:—

(a) When employed in undertakings which made not less than one hundred million cubic feet of gas during the last

completed working year prior to 1st January, 1920, an advance of 5s. a week, payable at the rate of 10d. a day or shift, for each day or shift worked.

- (b) When employed in undertakings which made over fifty million but less than one hundred million cubic feet of gas during the last completed working year prior to 1st January, 1920, an advance of 4s. a week, payable at the rate of 8d. a day or shift, for each day or shift worked.
- (c) When employed in undertakings which made not more than fifty million cubic feet of gas during the last completed working year prior to 1st January, 1920, an advance of 3s. a week payable at the rate of 6d. a day or shift, for each day or shift worked.

11. The Court further decide that it shall be open to the representatives of the workpeople to bring forward any individual case of an undertaking covered by paragraph (b) or (c) of the preceding clause, where, in view of any special circumstances prevailing in such case, it is claimed that the amount of the advance should be that provided for a larger undertaking. In the Court's view any such cases might properly be considered in the first instance by the Joint Industrial Council for the industry, on the understanding that should a settlement not be arrived at, it shall be open to either party to refer the matter to the Industrial Court.

44—CANADIAN INDUSTRIAL DISPUTES ACT—CANADIAN PACIFIC RAILWAY CASE (1911)¹

This case is an illustration of a demand for wages higher than those established for the work in question because of the favorable profit situation of the particular enterprise, and an emphatic expression of one opinion on the question.

"The most important question at issue in this dispute is the demand for increased wages, as set forth in the petition filed with the Honourable the Minister of Labour by the representatives of maintenance-of-way employés

"The three reasons given in support of this demand are:— . . .

"*Third*—Ability to pay. . . .

"As to the third reason, viz., 'Ability to pay.' Before considering this feature of the dispute, it is important to first determine whether or not any increase in wages is actually warranted. For guidance in reaching a conclusion on this point we ascertained the rates paid by numerous other large railways, for similar service.

¹ Report of Board in Dispute, Canadian Pacific Railway Company and its Maintenance of Way Employees, *Canadian Labour Gazette*, April, 1911. pages 1107-9.

"In addition to other data, the following comprehensive table compiled by Mr. J. L. Payne, Comptroller of Railways and Canals for the Dominion of Canada, shows the number of officers and employes of each class, and their average rates of pay on the railways of Canada, as compared with those of the United States, comparison being on a basis of 100 mile units:— . . .

"The foregoing tables clearly show that in nearly every grade of railway employment the average wage rates in the United States are much higher than in Canada. The notable exceptions are the *higher wages paid to maintenance-of-way employes by the Canadian roads*, as follows:—

	Average Rates U.S. Railways	Average Rates Canadian Railways
Section foremen	\$1.96	\$2.18
Other trackmen	1.38	1.58
Carpenters	2 43	2 52

"The above comparison shows that the average rates paid section foremen by the Canadian roads is 22 cents, other trackmen 20 cents, and carpenters 9 cents per day higher than paid in the United States

"If the wages paid by the Canadian Pacific Railway Company be compared with the wages paid by its principal competitors among the great railways in the United States in contiguous territory west of Port Arthur, namely, the Northern Pacific Railway Company, the Great Northern Railway Company and the Chicago, Milwaukee & St Paul Railway Company, it will be seen that these lines pay their sectionmen (track labourers) only \$1.35 and \$1.45 per day, as against \$1.70 and \$1.75 paid by the Canadian Pacific Railway Company, making the latter rates 30 to 35 cents a day more than paid by any of the roads mentioned, the same ratio of difference in rates existing throughout all branches of the maintenance-of-way service, and showing the Canadian Pacific Railway Company wages to be more than twenty-five per cent higher than paid by the above-named railways for similar service

"Notwithstanding this substantial difference of a twenty-five per cent. higher rate in their favour, the men in their petition are demanding further increases ranging from 30 cents to 95 cents per day, which, if granted, would give an average of about 65 cents per day, or nearly fifty per cent. more than is paid for similar service by competing lines in the Western States. The wages paid maintenance-of-way employes by the Canadian Pacific Railway Company, on lines east of Port Arthur, are also higher in the same relative proportion than paid by competing lines.

"For these reasons this Board cannot justify any recommendation, or even a suggestion to grant the increase asked for by this large body of men, when it is so clearly shown that they are already receiving an average of about twenty-five per cent. more than the wages paid for the same class of service on competing lines. Such action would be a grave

injustice, not only to the Canadian Pacific Railway Company, but to all other railways, and to all other employers of labour throughout the Dominion, as it would establish a most pernicious principle, and a far-reaching precedent affecting the whole industrial world.

"This great railway, extending as it does from the Atlantic to the Pacific Ocean, passing through and serving all of the great cities and industrial centres, and being one of the most potent factors in the commercial, the industrial and the agricultural life of the Dominion, has necessarily become a dominating force in regulating the wage-scale of the whole country. Therefore, any decision, recommendation or suggestion, favouring increased compensation to employés, on the principle of 'ability to pay,' would be illogical, unwise and dangerous, as it would be an incentive to labour of every class to make unreasonable demands upon their employers, on similar grounds, and would inevitably lead to disputes and conflicts, which would prove disastrous to both employers and employés, and seriously retard and interrupt the development of Canada" .

CHAPTER II

PRINCIPLES FOR SETTLING WAGE DIFFERENTIALS BETWEEN DIFFERENT KINDS AND CLASSES OF WORKERS

Most industries employ various kinds and classes of labor. Whether the principle of standardization is applied in any industry generally, partly, or not at all, the problem must be faced as to what relationship is to obtain between the wage rates and earnings of the various kinds and classes of workers employed. For these wage rates are the subject of constant comparison, and disputes center upon them. This may be called the problem of wage "differentials" within an industry.

The cases reprinted in this chapter are intended to illustrate the questions which present themselves when this matter of differentials is considered, and the chief of those principles which have been used in dealing with the matter in wage controversies. The closely related question of the relationship between the wages of different kinds and classes of labor which are employed in different industries is postponed to a later point (Chapter VI). Both questions, it may be noted here, involve comparisons of the same order. The first one involves comparisons between the wages received by different classes of workers within the same industry; the second one involves comparisons between the wages received by different classes of workers in different industries. The first comparison is made far more constantly than the second. There are several reasons for that: first, the industrial conditions affecting the employment of the different groups within the same industry are naturally the same for all, while industrial conditions may differ from industry to industry; second, the facts which are the subject of the first comparison are more evident to all; third, the line of advancement from one class to another usually runs within the same industry—though there is often greater mobility of labor between industries than between different crafts in the same industry.

It may be observed in addition that there is far more chance of establishing satisfactory and relatively permanent wage differ-

entials between the wages of different groups in the same industry, than there is of establishing them between groups in different industries. That is due partly to the fact that the same authority is likely to settle wage disputes involving all crafts within an industry, and can therefore strive to build up an orderly scheme of differentials; while, in the United States at least, no authority has ever been trusted with the task of settling wage disputes in many or all industries, therefore no consistent unified effort to establish orderly differentials as between workers in different industries has been possible. This situation is not likely to be modified.

The forces governing "wage differentials" between different types of workers have been the subject of much capable exposition in the books of general economic theory, and no effort will be made here to summarize the explanations given in these works. Suffice it to say that they result from a complex combination of changing influences acting more or less haphazardly; they are governed partly by the relative supply and demand situation for different classes (which in turn is largely governed by the abilities required for each type of work, the advantages and disadvantages offered, etc.), partly by differences in organization and bargaining power, partly by the influence of customary differentials. The existing differentials in any industry may never be taken to be "normal" or "natural"; on the other hand the assumption that they more or less roughly fit the facts is usually justified. That is why, as will be seen, they are accepted in most disputes unless evidence is produced showing that they should be changed. Such, indeed, is the procedure and principle adopted by most boards when they are dealing with a dispute over differentials. Perhaps the most important reason why differentials must often be changed is that changes in technique are constantly producing changes in the work done by different classes and the abilities required.

In establishing or revising differentials the principles most generally used are (1) that they should justly represent the differences in training, skill or other abilities required for the different kinds of work, (2) that they should allow for differences in advantage and disadvantage in the different kinds of work, (3)

that they should be sufficient to attract into every one of the occupations (especially the skilled ones) a sufficient supply of labor and no more.

If the subject of differentials is decided by weighing solely the questions raised under (3) it is plain that only economic influences are taken into account. If the questions raised under (1) and (2) are taken into consideration some allowance may be made for ethical or humanitarian judgment. For example the differential given to a class of workmen engaged on unusually filthy work may be more than that sufficient to secure the number of men needed for the work. But the room for such considerations is ordinarily narrowly limited by economic influences.

The organized bargaining strength of the various grades of workers is usually an important factor in settling wage differentials, whether they are settled by collective bargaining or any other means. While it may not be possible to make a strong ethical or economic case for taking the relative bargaining power of different crafts into account, it is usually an important factor in decisions dealing with the subject. One reason for that is that differentials are constantly shifting and it is almost impossible to get a very firm and precise ground for them at any time. Then, too, organized groups can present their cases better, and may to some extent make entry into their trades difficult.

How many differentials should be established, as contrasted with how large they should be, is a question of classification. Attempts are sometimes made to establish differentials on comparatively small and insubstantial differences. Employers (justly or not) sometimes oppose the principle of standardization on the ground that it prevents the recognition of small differences of skill (see Case No. 3) On the other hand workmen sometimes demand recognition of what may be comparatively small and insubstantial differences in the work performed, etc. (see Case No. 57). The question of which and how many differentials it is just and practical to establish is a question of judgment, taking into account the habits and interests of workers, employers and the public. This is true of the whole question of classification.¹

¹ See note "Upon the Classification of Workers in an Industry." pages 397-9 *supra*.

45—ARBITRATION—MAILERS UNION No 6—NEW YORK (1920) ¹

A satisfactory and relatively permanent set of differentials cannot be established within an industry unless disputes arising regarding the wages of each and all of the different types of workmen are referred to the same tribunal. Unless there is some type of unified treatment, wage settlements for single crafts are likely to cause constant conflict over differentials and constant disturbance based on nothing else than shifts in the bargaining power of different groups. This following extract is merely an expression of that opinion.

In the first place a good deal of dissatisfaction was expressed with the differentials existing between the wages of the various crafts in the industry. The Board had no authority under the existing contract to consider this question. Moreover differentials between various crafts could be adjusted properly with reference to skill and ability required only if one board were arbitrating the cases of all the crafts. Had this been done, or had the three arbitrators who sat in the eight cases acted as one board, it is possible that a better adjustment might have been made in the rates of pay for the various crafts with respect to the differentials between them .

46—DECISION—BRITISH INDUSTRIAL COURT—BOILERMAKERS, GREAT WESTERN RAILWAY (1920) ²

This case is printed as an illustration of the constant shifting of differentials that is likely to take place in any industry due to any one of a number of causes—sometimes merely a shift in bargaining power, sometimes a change in the character of the work done, etc., etc.

... 3. The Society based their claim for an advance to their members on the highly skilled and responsible nature of the work which they also contended was of a very dirty character and often dangerous. They further contended that the boilermasters' rate, which was a line rate, was, generally speaking, prior to the award (No 249) of the Industrial Court of 12th April, 1920 (Great Western Railway Company), 2s. a week higher than the rate paid to other craftsmen. This

¹ Arbitration—New York Employing Printers Ass'n. vs Mailers Union No 6. New York (1920).

² Great Western Railway Co. Boilermakers, Decision No. 436. British Industrial Court Decisions. Vol. 3. Pt. 1. (1920). page 149.

award gave an advance of 2s. a week to various grades of workers employed at the Swindon workshops which raised them to the level of the fully skilled boilermaker.

4. In reply the Company stated that the pre-war rate of the boiler-makers was lower than the rates of other skilled craftsmen, but that by an award of 12th November, 1917, the rate of the boiler-makers was raised 2s. above other skilled craftsmen. The Company contended that the rates for all skilled craftsmen should be equal, and that, now that equality had been reached at the Swindon workshops, no advance should be given to the boiler-makers which would again upset their relationship with other grades. . . .

6. The Court have given careful consideration to the evidence and arguments submitted and are of the opinion that it would be unwise to disturb the present relationship between the rates of the various grades of skilled craftsmen, and accordingly decide that the claim has not been established.

47—DECISION—AUSTRALIAN COMMONWEALTH COURT—MARINE COOKS CASE (1908)¹

The acceptance of existing customary differentials may be defended merely on the ground that they do exist, as in the following instance.

Additional Wages for Skill

As for the cooks, bakers and butchers, different considerations arise. We pass beyond the bare necessities of life, and enter upon the region in which the discrimination is made in wages by virtue of skill and such other matters. It is not for me to find a scientific basis for the distinctions in the wages paid to the various skilled employees as between themselves and the unskilled, and one another. The distinction made may perhaps be traced to the operation of a monopoly in greater or less degree; but the fact that they exist and are recognized in the practise of society is sufficient for me, in a practical inquiry with a view to settling disputes. . . .

48—DECISION—RAILROAD LABOR BOARD—ATCHISON, TOPEKA AND SANTA FE CASE (1920)²

One policy open to any board faced with the question of differentials in a difficult wage adjustment, is to leave existing

¹ Marine Cooks, etc. Ass'n. *vs.* Commonwealth Steamship Owners Ass'n. Commonwealth Arbitration Reports—Vol. 2. (1908). pages 65-6.

² Atchison, Topeka and Santa Fe *et al.* *vs.* International Ass'n. of Machinists *et al.* Decision No. 2. U. S. Railroad Labor Board Vol. 1. (1920) page 16-17.

differentials as they are, on the assumption that unless definite evidence is produced to the contrary, it is probable that they are "based on good reason." The great complexity and difficulty of the task is in some instances, as in this case, given as the reason for this course.

. . . The Board, on the day after its members were confirmed by the Senate (April 15, 1920), received the controversy which had been so long pending and which had remained so long unsettled in spite of the efforts and conferences noted above. From that day until the date of this decision it has been constantly and assiduously engaged in receiving evidence, hearing arguments, reading and considering the many volumes of testimony offered and the many thousands of pages of exhibits and statements. Approximately 2,000,000 men, comprehended in more than 1,000 classifications, are affected by this decision. It is believed that few more serious, difficult, and intricate problems have been presented to tribunals of this country . . .

For the reasons stated it was necessary to adopt the method of determining what, if any, increases over existing wages (established under the authority of the United States Railroad Administration) would constitute a reasonable and just wage for the hundreds of classifications of railroad employees. By so doing such differences in present rates as are the result of local differences are preserved together with (in general) the differentials between different classes of employees which have come about in the railroad service and which may be considered *prima facie* to be based on good reason. It is believed that this method accomplishes that approximation to justice which is practicable in human affairs . . .

49—DECISION—BRITISH INDUSTRIAL COURT—WIRELESS TELEGRAPHISTS CASE (1921)¹

The most ordinary grounds on which an existing customary scheme of differentials is challenged, is that the character of the work of one or more of the grades (and the abilities acquired for it) were originally misjudged, or have changed. The following case is a simple illustration of such a claim.

15. The claim for a reduction was opposed by the union first on the ground that the wages paid before the war were very low. They pointed out that in its early stages wireless telegraphy was striving to establish itself as a commercial proposition, that the circumstances could,

¹ Decision No. 651. Wireless Telegraphists on Ships—British Industrial Court Decisions Vol. 4 Pt. 1. (1921). pages 61-2.

therefore, not be deemed to be normal, and that employment in any business placed in a situation of this kind was usually a low paid one. . . .

Considerable discussion took place at this hearing as to the relative status of wireless telegraphists to other seafarers, a matter which appears to have been a contentious one for some years. The employers considered that for wages purposes it was appropriate to make comparisons with the general body, comprising 21 ratings, of seafarers, and they submitted statements of the wages paid to the general crew and to the engineers' and officers' classes separately and in combination. The Union, on the other hand, considered that, if wireless telegraphists were to be compared with other seafarers, the comparison should be made with men who were, in regard to education, ability and the knowledge necessary for their work, in a somewhat similar position. For instance, a senior operator should be compared with chief officer, a second grade operator with a second officer, and a third grade operator with a third officer. Owing to the peculiar nature of their work and their conditions of employment, the Court themselves find some difficulty in making an equitable comparison between wireless telegraphists and other classes of seafarers as regards duties on board ship, but they have had the considerations urged by the Union in mind in arriving at their decision.

The Court are satisfied that, having regard to the position of responsibility and education required of a wireless telegraphist and the development of wireless telegraphy during the war, the pre-war rate is not in itself a safe guide as to the appropriate remuneration of wireless telegraphists, in this respect unlike seafarers' rates generally; and it therefore does not follow that what is a proper reduction in the case of seafarers generally is a proper one in the case of the wireless telegraphists .

50—ARBITRATION—FRANKLIN ASSOCIATION OF CHICAGO (1922)¹

It is sometimes contested that differentials are largely haphazard and governed by the bargaining power of the separate grades of workmen. It may be argued, therefore, that it is just and practicable to admit changes in these differentials which are brought about by changes in bargaining power—since the new differentials would be as soundly based on the former ones.

The union brief in the following case maintains that opinion.

ARGUMENT OF UNION REPRESENTATIVES

. . . We feel that the only way it is possible to at all adjust differentials is in joint negotiation. The unions in Chicago offered and asked for joint negotiations. The employers rejected the proposition of

¹ Arbitration, *Franklin Association of Chicago vs. Franklin Union No. 4.* (1922). pages 13, 19, 45-7.

joint negotiations, and in doing so, we feel that they then and there removed the only opportunity wherein it would have been possible to equitably adjust the matter of differentials. . . .

Concluding the argument on differentials, the representatives of the employers admitted that there is no set rule in determining differentials. They themselves admitted that it is largely a matter of accident, largely haphazard, and depending quite often on extraneous circumstances, as to what the differential is in the book and job industry between pressmen and press assistants. As far as we are able to ascertain, no one can find fault with this contention of the employers' representatives. But it brings up this important point, Mr Chairman, that the differentials themselves, especially between the pressmen and press assistants, are an outgrowth of bargaining; that the reason the differential between the pressmen and the press assistants, for instance, in Chicago, is small, and has gradually become smaller, and the differential between the pressmen and the press assistants in any other city is large, is entirely an outgrowth of the bargaining power of the press assistants in one city as compared with the bargaining power of the press assistants in any other city.

Therefore, when the employers are asking the restoration of the old differentials, they are asking the arbitrator to penalize the press assistants in Chicago because they had stronger bargaining power here than the press assistants had in other cities; and we feel that it is asking the arbitrator to decide this differential matter on a wholly unfair basis. We feel that it is not possible, it is not fair to penalize the press assistants in this city because they had good leadership, because they had more intelligent membership, because the membership was willing to make various sacrifices to maintain a strong union. We feel that it is not fair to penalize them for this strength in bargaining power.

DECISION OF THE BOARD OF ARBITRATION

The representatives of the Union have maintained that there should not be more than ten per cent differential between their wages and that of the pressmen. . . .

The employers have requested that the wages of feeders should be reduced to 70 per cent of the new \$44 wage agreed upon for pressmen. The Unions have requested that their wage be set at 90 per cent of this amount. But the Board does not see its way clear to change the existing ratio, approximately 83 per cent, between these two closely related crafts. This unwillingness to change the existing relationship, at this time, rests upon the following factors:

(1) The ratio now in effect is not far different from the ones used in the last four proceeding adjustments. In the adjustments of August 25, 1919, the ratio was 80.9; in the adjustment of February 25, 1920, it was 82.6; in the adjustment of August 25, 1920, it was 84.6; in the adjustment of May 5, 1921, it was 83.2:—which ratio has remained in effect to date.

In view of the fact that ratios ranging from 80 per cent to 84 per cent have now been in effect for approximately two years and a half, these ratios having been agreed to on four different occasions by both parties, we believe that the existing ratio should not be materially modified at the present time, unless good cause for such modification is shown. We do not feel that adequate cause has been shown.

(2) It is not believed that the maintenance of the present ratio will work a hardship on the printing industry in Chicago, since this 83 per cent ratio corresponds, approximately, to the prevailing ratio in certain other important cities. Among these may be mentioned Indianapolis, New Orleans, Jersey City, Newark, New York, Cincinnati, Cleveland, Columbus, Toledo, Philadelphia, Milwaukee, etc. In these cities the ratios range from 79.5 to 85 per cent.

(3) It is doubtful whether it would be proper for this Board to modify a wage ratio between two interlocking crafts, already so well established, without an opportunity for the related craft, namely, the pressmen to be heard. Obviously there could be no such opportunity in this case, since it involved only the one craft, *i. e.*, the feeders, the new wage scale of the pressmen having already been established by direct negotiation. . . .

51—AWARD—SAN FRANCISCO BUILDING INDUSTRY (1922 and 1923)¹

These awards illustrate an attempt to establish an ordered scheme of wage differentials in an industry, in which the question of differentials has always been a troublesome and unsettled one. The scheme, it will be seen, was based on an attempt to assess the abilities required for each type of work, and the relative advantages and disadvantages of the various types—modified by the relative shortage of labour in some crafts.

A small section of the 1923 scale is given as further illustration.

THE AWARD IN 1922

The Impartial Wage Board for San Francisco Building Industry respectfully submits this report on the wages established by it for the members of the building trades crafts.

The functions of the Board, as defined by the terms of its appointment, are limited to the "establishment of proper differentials in the wages paid to the various crafts—which will involve readjustments rather than general flat increases or decreases in all wages"; it "is to have no jurisdiction over working conditions, hours, questions of restriction of output, etc."

¹ Award and Report of Impartial Wage Board for San Francisco Building Industry (1922). Ditto 1923.

The task of the Board was to adjust wages equitably, approximating as closely as possible a compensation which should be a true measure of the value of the service. If the Board could have been guided by the sole consideration of rewarding labor exactly according to skill or economic value, the task would have been comparatively simple. But such a scheme of appraisal, though ideal in theory, is not feasible in practice. While skill should be largely the determining factor of compensation, it cannot, of necessity, be controlling.

The Board had to bear in mind the lack of continuity of employment in many crafts. It is not so much what a craftsman receives by the day as it is what he receives by the year which counts in determining his real compensation. The Board was primarily concerned with the establishment of an annual as opposed to a daily wage. This feature of an interrupted or non-continuous employment could be measurably corrected though, perhaps, not completely eliminated. It is not within the immediate function of the board to suggest remedies. In a general way it may be urged that greater elasticity in the crafts, looking to a reduction of their number and the amalgamation under one craft of workers in the same class of material would help the situation. The problem calls for most careful study by men of expert knowledge.

In addition to this consideration of the non-continuous nature of the employment, which stands in the way of compensating the craftsman on the exclusive basis of standard of skill, there is the further consideration of the varying hazard to life and limb of employment in certain crafts. Where the jeopardy to life and limb is great, the craftsman is legitimately entitled to higher compensation.

In some of the trades the Board was compelled to recognize a distinct shortage of craftsmen. The Board calls attention to the fact that this shortage is artificially created and in nowise due to the normal operation of economic laws. This false economic situation must be corrected in the interest of the trades themselves and of the public.

Besides the wage for the journeyman craftsmen the Board had to fix the wage for helpers, skilled laborers, and common laborers. It has established a uniform wage for the skilled laborer, likewise for the common laborer and, with slight variation, a uniform wage for the helper. The scale for the skilled laborer is a little higher than that of the common laborer because of the difference in skill and, also, because the former works one-half day less in the week than the latter.

The position of the helper is particularly deserving of attention. Though not possessed of the full skill of a journeyman, he is on the road to improving himself in the craft and of becoming a full fledged journeyman through practical experience and training. Every encouragement should be given him to move ahead.

It is as well to note that the Wage Board is confined to the establishment of wages of men engaged in the building trade crafts; its decision in nowise affects wages of men engaged in similar crafts.

outside the building industry where different conditions of employment prevail

By way of recapitulation: In establishing the wage of any craft in the building industry the Board was guided by the sound economic principle of the relative skill of that craft with respect to other crafts, but modifying that principle in its application by the consideration of the continuous or non-continuous nature of the employment, and of the relative hazard to life and limb involved in the pursuit of that craft. . . .

The compensation prescribed is that which is to prevail for the general average skill in the crafts, still permitting allowances in individual instances for adjustments based on variations from that average. Then, too, allowances must necessarily be permitted in the case of steady employment on a compensation fixed by the month or other stated period for work done on or within completed buildings, that is, buildings not in the course of construction.

THE AWARD FOR 1923

The Impartial Wage Board submits herewith the Schedule of Wages established for the building trades' crafts.

It would serve no purpose to restate the basis adopted by the Board for the establishment of a wage scale, which basis is fully set forth and detailed in the report accompanying the wage scale established for the year 1922. It is, however, necessary to indicate that the wage scale now established differs from that of the year 1922 only in the case of a very few crafts, and that in such crafts the change in the scale has been by way of increase and not by way of decrease. In no instance has the Board made any decrease in the scale of wages adopted for the year 1922 because, in its opinion, there is no indication of any likelihood of a sufficient lowering of the cost of living to warrant such decrease. Likewise, the present wage scale makes no general increase, because there is no reason to anticipate a considerable rise in the cost of living. Although the figures published by the United States Bureau of Labor Statistics show an upward trend of living cost in the last three months, it must be borne in mind that there was an actual decrease for the first six months of this year; so that today the cost of living, according to these statistics, is approximately three per cent less than it was at this time last year.

With respect to the increases established it is to be noted that in most instances these have been dictated by the unusual conditions now prevailing in the building industry. During the year building operations in San Francisco will total almost fifty million dollars, more than double the average amount of annual building for a great many years. Because of this unusual boom in building, there has necessarily been a shortage in certain of the crafts; some of these wage increases are calculated to encourage the development of additional mechanics in these

crafts, others are made to correct what the Board considers to have been inequalities in the last award.

The compensation prescribed is that which is to prevail for the general average skill in the building crafts, permitting allowances in individual instances based on variations from that average. Variations downward, however, shall be permitted only in the case of individuals who, by reason of old age or physical disability, are no longer capable of performing the work of the average mechanic. This is simply in accordance with a custom which has long prevailed in this community. On the other hand, there shall not be denied to the individual mechanic possessing greatly superior skill additional compensation warranted by the superiority of his output.

As stated in the wage scale report of the year 1922, allowances must also be permitted in the case of steady employment on compensation fixed by the month or other stated period for work done on or within completed buildings, that is, buildings not in the course of construction. Also the Board is confined to the establishment of wages of men engaged in the building trade crafts, its decision in nowise affects wages of men engaged in similar crafts outside the building industry where different conditions of employment prevail.

Building Trades Wage Scale
Effective Jan. 1st, 1923.

Craft	Journeyman	Helpers
Asbestos Workers	\$7.00	
Bricklayers	10 00 inc	\$1.00
Bricklayers · Hodcarriers	6 50 "	.50
Cabinet Workers—In Shop	7.00	
Cabinet Workers—Outside	8 00	
Carpenters	8 00	\$6 00
Cement Finishers	8 50 "	.50
Electrical Workers	8 00	6 00
Electrical Fixture Hangers	7 00	
Elevator Constructors	8 00	6 00
Engineers—Stationary	7.00	
Engineers—Traveling Crane	7 50	
Engineers—On Derricks	8.00	
Engineers—On Bridge & Structural Work (includes piledriving)	9 00 "	1.00
Glass Workers	8 00 "	.50
Housemovers	8.00	
Housesmiths—Architectural Iron	7.00	
Housesmiths—Reinforced Concrete	8.00 "	1.00 6.00
Iron Workers: Bridge and Structural	9.00	
Labor—Common (6 Day Week)	4.50	

52—DECISION—SOUTH AUSTRALIAN INDUSTRIAL COURT—
THE PLUMBERS CASE (1916)¹

This case illustrates the establishment of a differential based on differences in skill and training required.

In the present case there are four classes of employees to be considered—Plumbers, Galvanized Iron Workers, Gasfitters and General Hands. . . .

(1) *Should there be any differentiation as regards rates of wages between the various classes mentioned?* On behalf of the employees an exhibit was put in to show that, as regards the respective classes of employees mentioned, the states of Queensland, Western Australia, Victoria and New South Wales recognized a flat rate. The evidence constituted a prima facie case why I should not differentiate in this State. But it is my duty to regard the grounds of the precedents of other States in the light of the general body of evidence before me. With regard to each of the classes it has been shown that skill is necessary, although the degree of skill may vary. On the other hand such special circumstances as lost time, real or alleged dangers of the occupation, vary somewhat with the different classes. Personally, I am inclined to think that the flat rate adopted in other States may be largely attributed to the difficulty of balancing the varying factors . . . The ground requires to be carefully scrutinised by this Court. If one class has a claim to a higher wage than other classes, although it may for a time be content with the flat rate, sooner or later it will become discontented. As regards the difficulty of balancing the varying factors which go to justify the marginal additions to the living wage, I am bound to say that I do not think that the difficulty is insuperable. I have made an exhaustive analysis of the evidence, and I have arrived at the conclusion that the plumber is entitled to some additional remuneration as compared with the other classes . . . The witnesses called on behalf of the employers were agreed that there was a marked difference in the skill required by the lead worker. . . . The general trend of the evidence went to show that a longer period of apprenticeship was necessary in the case of the lead worker than in the case of the other classes. On the whole of the evidence I am bound to conclude that the plumber should receive some special recognition "It would be a fatuous step on the part of this Court," said Mr. Justice Higgins in the *Australian Meat Industries Case*, 1914 No. 19, "to lessen the inducement to learn a trade, to attain superior skill and efficiency. Not only would it invite industrial discontent and unrest . . . but it would encourage men in the employment of work for which they are not fully qualified, and would foster the too prevalent

¹ The Plumbers Case, Decision Nos. 6 and 10. (1916). South Australian Industrial Reports Vol. 1. (1914). pages 129-31.

tendency to be content with what is 'good enough'—to be content with imperfect workmanship." . . .

53—DECISION—SOUTH AUSTRALIAN INDUSTRIAL COURT— PORT PIRIE CASE (1916)¹

This case illustrates the establishment of a differential based on the relative disadvantage and hardship characterizing the type of work in question.

The Sanitary Men

. . . Having thus fixed the minimum for unskilled labor, I turn to the claims in the log. The first claim is for sanitary men. The rule has often been laid down, that in fixing the minimum wage in any employment, this Court does not consider whether the work is pleasant or unpleasant. In many cases a claim for an increased wage on the ground that the work was of a particularly offensive nature has been refused. The rule is essential; but I do not think it covers the exceptional circumstances which I am about to review. The drivers of sanitary carts have to carry heavy pans of sanitary matter on their shoulder to the carts. The pans are sometimes in an offensive condition and often leak. The man cannot keep himself free from offensive matter. His work is done in the streets in the day time. His condition is not an enviable one. . . . I think that where a small number of men in a community are called upon to undertake such unpleasant duties, involving such unpleasant consequences, in order to promote the comfort, health and happiness of the whole community, then the whole community should be prepared to pay these men something more than a laborer's wage. . . .

54—SOUTH AUSTRALIAN INDUSTRIAL COURT—THE QUARRY EMPLOYEES CASE (1919)²

This case illustrates the establishment of a differential based on conditions of danger and lost time.

The industry into which I am inquiring is carried on to produce broken stone or road metal for making the roads of Adelaide and its suburbs and the surrounding districts. At various points in the hills to the north-east, east, and south of Adelaide there have been opened

¹ Port Pirie Municipal Corporation Case—Decision No. 15. South Australian Industrial Reports Vol. 1. (1916). pages 144-5.

² The Quarry Employees Case—South Australian Industrial Reports Vol. 4. (1919). pages 92-6.

up about ten quarries from which road metal is obtained. The number of men employed in each of these quarries varies from about twelve to twenty, and other men are employed in connection with the machinery used for breaking up the stone. Some of the quarries are high up in the hills, others are at the foot of the hills. All the quarries work on a high stone cliff, which is called the "face" of the quarry. In some quarries the face is 250ft. high. The face is not always perpendicular, but a fall of any distance from the face of the quarry would generally be attended with fatal consequences. The method of working in the quarry is as follows.—The face of the quarry is broken away by explosives. This work begins at the top of the cliff, and gradually works down to the bottom. The breaking away of the faces leaves a ledge of rock on which the men work, and this ledge is called a "bench." As the bench works down the side of the cliff it is reached in the following manner.—The hammer and drill men drive a spike in the top of the cliff to which they affix a rope, and by this rope they descend the face of the quarry. These men clean off the bench with pick, shovel, and crowbar. The bench is a narrow platform of rock. On this the hammer and drill men stand to do their work, which is to drill a hole in the rock, sometimes to a depth of twenty feet. They take turn about in using the hammer and steel hand drills. As a rule two men use the hammers, and one holds the drill in position, but sometimes there is room for only one hammer to be used. When the hole is drilled the man in charge of the explosives "bulls" the hole. The man in charge of the explosives is called the powder monkey, but the work of the powder monkey is frequently done by the foreman or other man in charge of the quarry. The hole is "bulled" by putting a small charge of explosive in the bottom of the hole and exploding it. This is done to create a cavity in which to put the necessary charge of explosive. It may be necessary to repeat the operation two or three times in order to get a cavity sufficiently large to take the requisite charge of explosives. The powder monkey then places a charge of explosives in the hole, fixes a fuse, and fills the hole with tamping, and tamps or rams the hole with a copper or wooden tamping bar. After warning the men in the quarry he lights the fuse and climbs out over the face, goes back a safe distance from the edge of the cliff, and awaits the explosion. The holes are fired by single shots, double shots, or a series of shots. These shots bring down quantities of stone varying from fifty to one thousand or more tons of stone. After the shots have been fired men come down the face of the cliff on a rope to "bar down." They dislodge the loose stone from the face of the cliff. This is done with the aid of a light crowbar. For this purpose each man hangs on to a rope, getting what foothold he can from projecting stones. These men are called barrers down. All men retire from the quarry when the explosion takes place, and the barring down is done when the men are away from the floor of the quarry, either at meal times or after five o'clock. As a rule there is a line of rails running

up to the face of the quarry on which trucks are brought up to the mass of fallen stone, but in some cases the fallen stone is removed in drays. The pieces of stone must be sufficiently small to fall into the crusher. The pieces of stone are lifted by hand and placed in the truck. As a rule the stone is broken down to the required size by men using heavy hammers. This is called "spalling." Sometimes huge boulders are brought down by the explosion. These are broken up by drilling a hole and with a small charge of explosive breaking up the boulder. This is called "popping." This work is done by the hammer and drill men, the machine borers, and the powder monkey. There is a gang of men employed on the floor of the quarry, all of whom are required from time to time to take part in spalling and filling and moving the trucks. When drays are used the drays are in charge of a driver. When the truck is filled with stone of the required size it is wheeled away to the crusher, which is a considerable distance away from the face of the quarry. The truck is mechanically emptied into a hopper, and from this hopper the stone falls into the crusher. The crusher is a machine having two massive jaws, one of which is oscillated slightly by powerful machinery. The stone is cracked in these jaws and falls into a system of screens, whence it emerges in the form of road metal and screenings of various sizes. A man is employed to watch each set of crushers, and his duty is to see that the stone falls properly into the jaws, and to clear the jaws with an iron or steel hook if the stone jams. The road metal is carted away from the crushers in drays, wagons, and sometimes in railway trucks.

There are, of course, several variations of these processes. Sometimes the holes are drilled at the "toe" of the "face," as the base of the cliff is called, for the purpose of "shooting off the toe." The drill is used vertically, horizontally, and at various angles. Sometimes the drilling is done by mechanical devices, of which two are used, and which are driven by compressed air. One is called a jack hammer. This is a comparatively light machine, which is held in position by the operator, and requires little skill in its use. The other is a rock drill mounted on an adjustable tripod. This is a heavy machine, fixed on a weighted tripod, and when placed in position retains its position by its own weight. It is moved about the face with greater difficulty on account of its weight, and requires greater skill in the operator. Both machines are operated on any part of the face and floor of the quarry, the compressed air being conveyed to the machines in lengths of rubber hose.

I have thus briefly described the operations in a quarry, because of the claim that this work is necessarily associated with danger. There can be no doubt that work in a quarry is more dangerous than that in many other occupations. This is apparent from the nature of the work, and is borne out by the evidence as to the number of accidents—fatal and otherwise—which occur. The rate charged by accident insurance companies confirms the evidence on this point. A schedule of rates

charged by a well-known accident insurance company shows a marked difference in the charge made in respect of men employed in quarries from those engaged in any other industry mentioned in the schedule. For example, the rate for men employed in drapery shops is 10s. per £100 of wages paid. The rate for engineers is 20s. per £100. The rate for saw mills is 30s. per £100. The rate for work in quarries is 112s. 6d. per £100. I find that work in quarries is associated with necessary danger. There is, however, no unusual danger in doing the work of a crusher feeder. The hammer and drill man, the powder monkey and his assistant, and the barrer down all work on the face of the quarry, and are called "facemen." The facemen are in greater danger than men working on the floor. The facemen require to have considerable nerve in doing their work. It requires a man trained to do that class of work and of good nerve to work on the face of the quarry.

The men working on the floor of the quarry do not require to have the nerve of the men working on the face, but they are in danger both from falling stone and from "scats," or small pieces of stone which fly from the hammer when stone is being "spalled." Several men have lost the sight of an eye from a "scat."

The work on the floor of the quarry is arduous in its nature. To do the work of spalling requires a man of good physique.

On account of the conditions which I have described the employees claim that the minimum for work in a quarry should be fixed at a higher rate than the wage of an ordinary laborer.

There is also a claim that the men lose time on account of wet weather, and that the minimum wage in this industry should be increased on that ground. The evidence on this point is very conflicting. The witnesses for the employees assert that they lose about fifteen days a year. Mr. Avery, the manager of the quarry belonging to Dunstan, Limited, produced a return covering a period of ten years. This shows that in the majority of the years for which the figures are given no time at all was lost in that quarry through wet weather, and that in other years the time lost is so small as to be negligible. He, however, explained that the men sometimes worked in the rain, and that when they lost time they had the opportunity of making it up. It being suggested that the men working in Mr. Schwerkolt's quarry lost fifteen or sixteen days this last winter, I called Mr. Schwerkolt, who was in Court. Whilst he did not deny that much time had been lost, he explained that the men in his quarry knocked off whenever a shower of rain came up. He said that on occasions when he had steam up and all arrangements made for the day's work, a shower of rain came on, and the men would not wait to see if the weather cleared, but left work for the day. I have come to the conclusion that some time is reasonably lost on account of wet weather, for which I should make provision. When it is raining heavily men ought not to be required to work in the quarry, but I do not intend to make provision for time lost by men acting unreasonably. A passing shower ought not drive the men home, and

men who go home under such circumstances are, in my opinion, acting unreasonably.

The conditions in this industry are that men are employed in a dangerous and arduous occupation, involving some loss of time by reason of wet weather. These considerations account for the fact that in nearly all State and interstate Awards and Agreements, quarry work generally commands a high rate of wage, and that the minimum for work in a quarry is, and nearly always has been, fixed at a higher rate than the wage of an ordinary laborer.

In this case, however, I am met with the contention that the business is not a remunerative one. There is no force in such a contention. The price paid for broken stone must be such as will enable the quarry employee to be fairly paid for the work which he undertakes. It is further contended that the cost of living for men living near the quarries is less than that for men living in the city. All the men with whom I am dealing live in the metropolitan area. Perhaps the rents paid by the men living near the quarries are slightly lower than those paid in the city, but when train fares and tram fares are taken into consideration I doubt if the cost of living is in any way cheaper for these men. In any case, the living wage is fixed for the metropolitan area.

WAGES

The Minimum

The living wage is 10s 6d. per day. Taking into consideration all the above circumstances, I fix the minimum for work in the quarry at 11s. 6d. per day

The Hammer and Drill Men

I fix hammer and drill men at 12s. per day.

The Spallers

The work of the spallers is not so dangerous as the work of the facemen, but it is more arduous. I fix the rate for spallers at 12s. per day.

The other rates of pay will be found in the minutes of the Award.

55—SOUTH AUSTRALIAN INDUSTRIAL COURT—CARPENTERS AND JOINERS CASE (1917)¹

In the comparison of wages received by workmen employed in different occupations and industries, the question arises as to whether the comparison to be made should be on the basis of

¹ The Carpenter and Joiners Case. Decision No. 29 (1916) and No. 10. (1917). South Australian Industrial Reports Vol. 1. (1916-18). pages 197-201.

hourly rates, daily rates or annual earnings. The latter are influenced greatly by the regularity of employment in the trade or industry. It has grown to be a common practice when establishing wage rates for an occupation or industry normally subject to irregularity of operation, to make allowance for this in the determination of the hourly, daily or piece rates. In other words, workers employed in irregular occupations are ordinarily given a differential over workers of similar grade in regular employment.

The cases printed below are illustrations of the reasoning and processes of calculation by which these differentials are ordinarily justified and calculated.

How is this uniform rate to be determined? Is it to be 13s. per day of eight hours or 14s. per day of eight hours? I should prefer to express it in terms of hours—1s 7½d and 1s 9d. respectively. Either of these rates is materially above a living wage. The grounds on which the claim for additional remuneration are based are lost time (either due to wet weather, or waiting for material, or to unemployment between jobs); the cost and upkeep of the kit; and the skill which is necessary to the exercise of the craft. I wish to consider the evidence and argument relating to each of these matters.

Lost Time

I could not help thinking on hearing the evidence that some amount of the time lost in the past could have been avoided if proper measures had been taken. "The Government," said Mr Wright, "seem to build in times of national prosperity." One might have expected that new Government buildings would be more in evidence in bad times than in good times. The Government has the longest purse, and one of the most obvious as well as one of the most useful ways in which the Government could alleviate unemployment would be to save up its contracts for times when a particular trade is slack. I am, of course, aware that the Government, to act in this way, would need to look ahead and conserve national finances in prosperous times. But if this could be done, very useful purposes would be served. Then again, when I asked Mr James, the Secretary of the Australian Progressive Carpenters' Union, whether his men always registered when they were unemployed, he answered that they did not, though he would like to see it made compulsory for them to do so. I am afraid, however, I must take conditions as they are, and not as they ought to be. I must deal with the data relating to lost time supplied by both parties, apart from the possibility of any improvement in the directions suggested.

The first question which confronts me relates to the extent of the period from which I should take my data for the purpose of assessing

how much time is lost. 'It has been made abundantly clear that the trade fluctuates a very great deal from time to time. As was said in evidence, even in best times the individual builder may have a slack period . . . The conclusion at which I have arrived on the whole evidence in the present case, is that there is at the present time an unusual degree of unemployment in the industry. The question arises as to what extent I am entitled to take into consideration this unusual amount of unemployment when adapting the living wage for the purpose of this industry. The industry is certainly one which under normal conditions involves a good deal of unemployment. In times that are abnormally busy, there is a good deal less lost time between jobs than in times that are abnormally slack. I feel that the only sound principle to go on is for the Court to base its conclusion on normal conditions when assessing nominal variations of the living wage. Otherwise the Court's awards would fluctuate according to conditions immediately prevailing. Sometimes they would be unfair to the employer, and sometimes unfair to the employee. The court has to assume in an industry like the present a certain amount of lost time, and therefore the necessity for the nominal variations of the living wage. But the precise extent of such variations should be *prima facie* determined by reference to the normal and not abnormal times.

A further question of principle is involved in estimating the lost time. Mr Parsons produced a number of exhibits which showed that the time lost from various causes, including holidays, by employees of several of the leading employers, amounted only to from one to three hours, or, in rare cases, four hours per week. Mr Parsons admitted that employees of speculative builders, especially those who operated in boom times, might lose a great deal more time. But he contended that this Court should base its award on established business, and the evidence relating thereto. But I have to consider the employees as well as the employers . . .

Would it be fair to the less fortunate employees to prescribe wages and conditions by reference to data applicable only to the more fortunate employees? Regarding the exhibits comprehensively, and reviewing these exhibits in the light of evidence tendered by witnesses it becomes apparent that the building trade is one of those trades in which it is necessary to the efficient functioning of the industry that there should be what I might call a reservoir of labor from which to draw from time to time. As I have said, in times abnormally busy there will be little unemployment; in times abnormally slack there will be a great deal of unemployment. It is my duty to strike an average in giving an order or award which is to extend over a period of years, the vicissitudes of which are not foreseeable.

Bearing the foregoing observations in mind, I turn to consider the question of interpretation in terms of money of the claim for special remuneration on the ground of lost time. The first difficulty which confronts me results from the fact that much work is done inside shops, although the greater portion is done outside shops. Ought I to average

the lost time all around on inside and outside work, or ought I to confine my attention to outside work for the purpose of assessing lost time? It appears to me that the only just way is to confine myself to outside work. As I have previously remarked, a man who is employed on inside work permanently need lose no time from wet weather. It would be obviously unfair in fixing the minimum which applies to outside workers to reduce that minimum on the ground that if the employees concerned were fortunate enough to be employed permanently inside shops, they need not have lost any time through wet weather. The estimate of the relative time spent on inside and outside work varied considerably according to the different witnesses.

Wet Weather

As regards wet weather, Mr. James, giving evidence on behalf of the employees, thought that from 12 to 14 days would be a fair average time lost in the year through wet weather for a man principally engaged in building construction. Mr. Grounsell thought the loss of time would run into about 15 days in the year. While these estimates are much in excess of the estimates of the particular employers who gave evidence to the time lost by their own employees through wet weather, I think that careful consideration should be given them, because the witnesses were secretaries to unions, evidently conversant with the general conditions prevailing in the industry as regards unemployment, and, as it seemed to me, genuinely desirous of being fair in their estimates. On the other hand, the evidence submitted by particular employers as to how much time their own employees had lost was particular and not general. Their evidence might not qualify, but it does not nullify, the evidence given on behalf of the employees.

Waiting for Material

"Lost time," said Mr. James, is occasioned by waiting for material on the jobs. We often run short of material, and consequently there is a stoppage, and we are put off for a few days. . . . I should consider that the loss of time in waiting for material would average from 10 to 12 days in the year." Mr. Grounsell supported this estimate, as also did Mr. Johansen. . . . I am inclined to think that the average loss of time through this particular cause would be substantially less than suggested.

Unemployment Between Jobs

Much of the unemployment between jobs apparently arises from the fact that in building construction there is what is called a first fixing and a second fixing, with an inevitable interval between them. "It may be possible," said Mr. Grounsell, "but I have never heard of a case of a man leaving one job and securing another without losing any time at all."

Summaries of Lost Time

Mr. Grounsell said in his evidence, "Taking the trade generally I consider that a fair average time for carpenters and joiners to be employed during the year would be eight or nine months." Under cross-examination by Mr. Parson the witness admitted that he was basing his estimate upon his personal experience, and his knowledge of the work done by the members of the union. Mr. Lawson, called on behalf of the employees, said that he thought a fair average of lost time in year would be three months . . .

56—REPORT OF THE RAILROAD WAGE COMMISSION (1918)¹

Whenever the price level undergoes considerable change, and wages, as a consequence, are adjusted upward or downward the question arises as to whether existing differentials ought to be changed also to reflect the change in the price level. Wage adjustments which change all differentials by the same percentage lead to a change in the absolute amount of existing differentials of course; while uniform changes in all wage rates change the percentage relation between the wages of different groups.

This question involves different considerations according as the price movement and wage adjustment is up or down.

A large number of cases would be required just to illustrate the variety of situations that may arise and to present adequately the different courses which are open. But it is believed that in view of the preceding cases it is unnecessary to bring before the reader the whole variety of situations that arise. We limit ourselves to the one following case, therefore, which sets forth the problem as it appears during a period of rising prices and upward wage adjustments. The reader should be able to supply the other situations for himself.

TO THE DIRECTOR GENERAL OF RAILROADS:

To make an investigation of the wages and hours of the more than 2,000,000 railroad workers now in the employ of this Government has been a matter of engrossing interest. To ask of a man, "What wages should you in justice receive?" is to ask, perhaps, the profoundest of all human questions. He is at once compelled to an appraisal of his

¹ Report of the Railroad Wage Commission of U. S. Railroad Administration (1918). *U. S. Monthly Labor Review*, June, 1918, pages 21 *et seq.*

own contribution to the general good. He must look not selfishly on his own material needs, but take a far view of the needs of those dependent upon him. He must go into the whole involved problem of his relationship with his fellows, and to answer the question aright he must in the end come to a judgment which will be nothing less than a determination of what policy or plan of wage adjustment will make for the permanent well-being of the State. We have searched for no such ultimate answer, if there can be one. But our investigation sought to reveal the insistent problems that confronted these workers, and such recommendations as we make are the practical answers to an immediate and direct question: What does fair dealing at this time require shall be done for these people, who are rendering an essential service to the Nation in the practical conduct of this industry?

That question, to the mind of the commission, is qualified materially by the phrase "at this time." The existing state of war prohibits anything approximating a determination of ideal conditions. The exceptional call that has been made upon the railroads and upon practically all other forms of industry in the country since the United States entered the War over a year ago has created an abnormal demand for labor. Wages have always responded to a degree to the law of supply and demand. As a result of the War the prices of the necessities of life have been mounting to unheard-of levels. The railroads, with the pressure upon them for greatly increased transportation facilities, have been confronted with the problem of asking increased exertion on the part of labor at a time of extreme competitive labor demand and at a time when the purchasing power of the pay is shockingly small. The commission has consequently considered the railroad wage problem with the idea that the Government must courageously direct its attention toward the maintenance of rates of wages for the railroad employees which are still adequate for those who, as they patriotically labor, recognize that the War has brought to us all the necessity for sacrifice. . . .

Wage Demands

The requests which have come to us for wage increases would, if fully granted, involve an additional outlay in wages of somewhat over \$1,000,000,000 per year in excess of the wage fund of last year, which exceeded \$2,000,000,000. Some asked for an increase of 100 per cent in their pay, and from this they graduated downward to 10 per cent. None were satisfied with their present wages.

If we assume that this total sum should be given, the problem would at once arise as to its distribution. Quite evidently the need or the desert of each class of labor is not to be measured by its demands. The bolder should not be given all they ask merely for their boldness, while the more modest are insufficiently rewarded for the service they render because of their modesty. Some had evidently thought out their claims with particular respect to their power to compel concessions, while others based their demands upon the exceptional character of the services given, the long experience, and the training or character required. Still others

found this a proper time to put forward claims which they felt were but a slender part of what justice would award were the whole scheme of wage making to be taken up afresh under a new order of things

To reclassify the many hundreds of employments in which the 2,000,000 railroad workers engage would be a task calling for more time, skill, insight, and knowledge than we possess. At the outset, it was seen that there were grave inequalities in the rates of wages paid. But who should say what relationship each class of employees should bear to the other? Abstractly, why should an engineer receive \$170 per month and a telegraph operator \$90 per month? What ratio should the messenger boy's wage bear to that of a brakeman, or that of a machinist's helper to a section boss, or that of a billing clerk to a train dispatcher? Or, to be still more particular, what should be the proportionate wage of trainmen and station men? Should there, in fact, be, or could any scientific scheme be devised by which there might be arrived at, some proper and certain method of determining the wage of a carpenter as against that of an electrician? So, if the full amount of the claims were granted, we should still be met with a problem impossible of certain solution—the proportionate share out of the total wage fund that should go to anyone.

In the world of economics this situation has been met by the simple application of supply and demand, which is in turn now varied, affected, and modified by those limitations arising out of the artificial but necessary and historic methods of collective bargaining.

These forces have classified employments. In the growth of the railroads there has consequently been evolved no other plan for such classification and no scientific relationship between the wages paid. The proposal that a new classification should be attempted is one which, to say the least, may not be accepted now. Nevertheless, there stands out one dominating fact, recognized by railroad workers as well as by railroad officials—a conclusion compelled by that large sense of equity which governs where logical processes fail—that the lower grades of railroad employment, those in which the supply of labor has been less restricted and where organization has been difficult, if not impossible, deserve wage increases out of proportion to the increases for those in superior grades.

In treating of different crafts, it is not without interest to recall that each of those workers who appeared made claim, with a quite manifest and very proper pride, that without his kind of labor the railroads could not be operated. And being essential to the large scheme, each asked that this pivotal nature of his work should be recognized in the wages paid. The train dispatcher spoke with enthusiasm of the large responsibilities that he bore, and he was followed by the section man, ready for call at every moment, a minute-man, without whom train dispatcher and train would alike be useless. So by slow steps as our inquiry proceeded we came to see that the only practicable way of dealing with a problem so indented with detail and so complex was to meet it on a large scale.

Should there be any increase in wages to these men in the railroad service? The railroads themselves have for the past two years been answering this question by yielding, some with a wise prevision, and

others too slowly for their own good, to the requests of their employees. It took neither tables nor charts nor briefs to make evident that, if the roads were to hold those men they had, concession must be made to the imperious demand of rising prices for the staples of living

Furthermore, an unprecedented call had come for men of certain trades in connection with the new industries that had been created by the war in Europe, and this long before our entry into the conflict. Machinists and ironworkers of all kinds found themselves to be essential to the great munition plants, and day labor of the most unskilled character rose into high demand. To meet this competition, the roads had advanced wages by slow steps at first and later more rapidly. It is hardly realized that the roads themselves have in two years, 1916 and 1917, increased wages approximately \$350,000,000 per year if applied to the present number of their employees.

But these advances were not in any way uniform either as to employments or as to amounts or as to roads, so that one class of labor benefited much more than another on the same road, and as between roads there was the greatest divergence. The situation had been dealt with as pressure made necessary, and naturally those who by organization or through force of competition could exert most pressure fared best. Things came to a head just before the Government took over the railroads. Another three months of private management and we would have seen much more extensive concessions in wages or there would have followed an unfortunate series of labor disturbances. The Government therefore has now to meet what would have come about in the natural course.

Indeed, the impatience of the men was only allayed, after Government intervention, by the assurance that the matter of wages would be promptly taken up and that the awarded increases would be retroactive as of January 1 of this year.

The Government now enjoys this position of distinction—it is not yielding to threats; it is not compelled to a course by fear of any unpatriotic outburst; it is not making concessions to avoid disaster. There has been no hint that such a policy would be pursued by those who have it within their power. The right thing “at this time,” a measure of justice, consideration for the needs of the men, whether organized or unorganized, whether replaceable or not replaceable—these are the standards that we have sought to meet. By what amount have the railroad workers been disadvantaged by reason of the War, and how may that disadvantage be overcome with the largest degree of equity, assuming that, in common with all who do not wish to exploit the opportunities which the War affords, these workers can not have and will not expect a full meeting of the entire burden.

The course of first suggestion is to allow a uniform increase of so many dollars per month to each worker. This is the policy England has pursued, as is shown in Appendix I of this report. It has the advantage of simplicity; but to our minds it fails primarily in drawing the distinction between those whose need is greatest and those who have largest leeway for sacrifice. To make a uniform wage increase of, say, \$20 per month, would increase the railroad budget by nearly \$500,000,000

a year. It would be a boom to many whose wages are low, but in its uniformity it would fail to adapt itself to the varying needs of those whom it is intended to serve.

We have had a most exhaustive study made of the cost of living to-day as contrasted with the cost of living in the latter part of 1915, when by the reaction of the European War the American people first felt keenly the increase in the burdens of life and the need for higher wages. This study has been made without reference primarily to those quite thorough investigations which have been carried on by the Department of Labor, other governmental, and many private agencies. And to our minds it conclusively establishes two things: (1) that the cost of living has increased disproportionately among those of small incomes, and (2) that there is a point up to which it is essential that the full increased cost shall be allowed as a wage increase, while from this point on the increase may be gradually diminished. (See Appendix II, p. 37.)

This study of the cost of living was not made from paper statistics exclusively, by the gathering of prices and comparisons of theoretical budgets. It was in no inconsiderable part an actual study from life, one of the most interesting and valuable groups of figures having been gathered by the newspapers of the country, by interviews with those of the working class, and the inspection of their simple books of accounts. Roughly, it may be said that the man who received \$85 a month on January 1, 1916, now needs 40 per cent additional to his wage to give him the same living that he had then. Below that wage a larger percentage must be allowed, because the opportunity for substitution and other methods of thrift decline almost to a vanishing point, while above that wage a growing proportion of increase will go to those things essential to cultured life, but non-essential to actual living.

In fairness, therefore, a sufficient increase should be given to maintain that standard of living which had been obtained in the pre-war period, when, confessedly, prices and wages were both low. And upon those who can best afford to sacrifice should be cast the greater burden.

Another argument that is compelling as against the uniform increase in existing wages is the unalterable fact that to give an equal amount now to all would be giving to some a double increase, that which they had received from the railroads during the last two years and that which the Government might award. For not all of the railroads made increases to the same classes, and no two made awards in the same percentages, even within the same groups of employments. The line of increases drawn upon a chart looks like a deeply serrated mountain chain. To add to all uniformly would be but to accentuate the inequalities resulting from the promptness of some roads as against the backwardness of others in meeting their workmen's needs.

There is high authority for saying that "to him that hath shall be given, but from him that hath not shall be taken away even that which he hath." This dictum as to the way of the world we take to have been the recognition of a fact, not the indorsement of an ideal. And the plan we recommend is an expression of the reverse policy. We take from no

man that which he hath, insuring him as much as he has now (for no wages are to be lowered), but we would add materially to the fund of those who have least. And of these there are many. It has been a somewhat popular impression that railroad employees were among the most highly paid workers. But figures gathered from the railroads disposed of this belief. Fifty-one per cent of all employees during December, 1917, received \$75 per month or less. And 80 per cent received \$100 per month or less. Even among the locomotive engineers commonly spoken of as highly paid, a preponderating number received less than \$170 per month, and this compensation they have attained by the most compact and complete organization, handled with a full appreciation of all strategic values. Between the grades receiving from \$150 to \$250 per month there is included less than 3 per cent of all the employees (excluding officials), and these aggregate less than 60,000 men out of a grand total of 2,000,000. (See Appendix III.)

The greatest number of employees on all the roads fall into the class receiving between \$60 and \$65 per month—181,693; while within the range of the next \$10 in monthly salary there is a total of 312,761 persons. In December, 1917, there were 111,477 clerks receiving annual pay of \$900 or less. In 1917 the average pay of this class was but \$56.77 per month. There were 270,855 section men whose average pay as a class was \$50.31 per month; 121,000 other unskilled laborers whose average pay was \$58.25 per month; 130,075 station service employees whose average pay was \$58.57 per month, 75,325 road freight brakemen and flagmen whose average pay was \$100.17 per month; and 16,465 road passenger brakemen and flagmen whose average pay was \$91.10 per month. (See Appendices III and IV, pp. 42, 43.)

These, it is to be noted, are not pre-war figures; they represent conditions after a year of war and two years of rising prices. And each dollar now represents in its power to purchase a place in which to live, food to eat, and clothing to wear but 71 cents as against the 100 cents of January 1, 1916. That there has been such steadfast loyalty to the railroads and so slight a disposition to use the lever of their necessity and their opportunity to compel by ruthless action an increase of wages is not without significance and should not be passed without public recognition.

With the various conditions which have been detailed all in mind the commission has reached the conclusion that the fairest method of dealing with the problem of wage increases is to award increases on the following scale:

[The scale of wage increases is given in the order promulgated May 25, 1918, by the Director General of Railroads, pp. 1 to 21, and is therefore not reproduced here.]

In applying the increases prescribed in the preceding tables to the wages of men paid on a monthly basis, the roads will substitute for each group of monthly wages of 1915, as listed in column 1, the amount named in column 4, on the same line.

The inclusion of the percentages contained in column 2 is merely to explain the method of arriving at the amounts contained in column 3,

which, added to the maximum amount for each group named in column 1, produces the "new rate per month" shown in column 4, on the same line.

Application of these new wages to the present pay rolls of the railroads, as nearly as may be, indicates that the net wage increases granted will approximate \$300,000,000 a year. The magnitude of this amount is not staggering when the whole expenditure for wages on the railroads is considered. And whatever its effect upon the mind may be, we regard such an expenditure as necessary for the immediate allaying of a feeling that can not be wisely fostered by national inaction, and as not one dollar more than justice at this time requires. It will make hard places smoother for many who are now in sore need. It gives no bounty. It is not a bonus. It is no more than an honorable meeting of an obligation.

57—DECISION—AUSTRALIAN COMMONWEALTH COURT— BUILDERS LABOURERS CASE (1913)¹

Unless the differences of ability required by the different groups of workers within an industry are fairly discernible, or the differences in the advantages and hardships of the various kinds of work are plain, it becomes impossible to establish a satisfactory scheme of differentials. This case illustrates the difficulties that may be met in endeavoring to ascertain the facts.

There is a curious difference of expert opinion as to which class of work shall be graded highest, if grading has to be made; but the preponderance of evidence is distinctly in favor of treating the man who is an expert scaffolder or gear hand, especially the scaffolder who uses ropes and tackle, as being superior in attainment to all the others; and yet from the end of 1907 in Sydney the practise in that city has been to pay more to "bricklayers'" assistants than to scaffolders. If I were to make any differential grading at all, I should make it in favor of scaffolders and gear hands. . . There is good reason for discrimination in wages where, as in the boot trades, there are such distinctive arts as those of clicking, making and finishing; where the man who follows the one kind of job never undertakes any other kind. But in the case of builders' laborers, it is quite common for scaffolders to do excavating, and for hodmen to mix concrete . . .

The employers in this case generally are in favor of grading, but they differ as to the grades; and where the experts differ what is the Court to do? A higher minimum rate must surely be based on some higher skill or other essential qualification, marked and obvious; but here it is actually disputed which labourer is the higher and which is the lower. Some Melbourne builders would pay the lowest rate for excavating and concreting;

¹ Australian Builder's Labourer's Federation *vs.* Archer *et al.* Vol. 7 Commonwealth Arbitration Reports (1913). pages 225-6.

a higher rate for those assisting bricklayers, etc, by carrying the hod, mixing mortar etc, and a higher rate for scaffolding and gear hands. Others would pay the lowest rate for excavating, a higher rate for concreting, and would give the same rate (the highest) to those assisting bricklayers or doing scaffolding or gear works. Another would have four grades of pay. . . The State Wages Boards also show many curious differences of opinion on this subject. . . .

For the reasons I have stated I prescribe the same rate—the flat rate—for all the building labourers within the scope of the dispute. . . .

CHAPTER III

THE LIVING WAGE PRINCIPLE, PROBLEMS CONNECTED WITH IT, AND RELATION TO OTHER PRINCIPLES

The living wage principle is an ethical principle. It is, in essence, a theory that wages should be settled by reference to the needs of the workers, that they should not be allowed to fall below the sum required to satisfy what are deemed primary needs. It becomes in practice an argument for attempting to raise the wages of the lowest paid groups of wage-earners up to the level which makes possible the satisfaction of those needs. It rests upon the opinion that the introduction of living wage standards will give rise to a series of adjustments in production and in the distribution of the product of industry, which will result in bringing the wages of these lowest paid groups up to the living wage level without doing equivalent harm in other directions.

Being an ethical principle, as soon as any attempt is made to apply it in wage settlement, the question arises as to whether and how it can be brought into accord with economic facts. The conception has a decided element of indefiniteness—what may be considered a decent minimum standard of living is entirely a matter of time, place and circumstance. The ethical principle to be of serviceable use must be defined; defined—(a) by our accumulated knowledge of human need, which knowledge will always be imperfect, for it can concern itself with averages only, and will always be open for dispute, for men's needs are not easy to know;¹ (b) by our knowledge of the resources of

¹ Skepticism in regard to the ability to measure primary human needs and the income that will make possible their satisfaction at any given time and place has sometimes gone very far. The following excerpt is given as an example:

Q. "If there are any matters of importance in connection with this we should be very glad to have you give your ideas to us?"

A. "I should have to look them over. I think there is one important consideration that must be borne in mind in attempting to determine a living wage and that is the very important fact that there is efficiency in living as there is in labor and what is an adequate wage for one is most inadequate for another."

Q. "What do you mean by efficiency in living?"

A. "One person at six dollars a week can live comfortably; another at six dollars a week is starving. . . ."

our productive system, out of which all wages must come. In considering the subject the question arises as to whether the total of these resources and their distribution should be regarded as fixed. The living wage principles aim to produce a change in both these matters. It is admitted, however, even by those who support the principle that only a small change can be hoped for and achieved at any one time. Hence in the application of the principle much account is ordinarily taken of existing levels of income. The idea of human needs is expanded or contracted according to what may be made available for satisfaction of these needs.

An effort was made when selecting cases for inclusion in this chapter to find cases which interpret the principle in practice and which indicate the care and thoughtfulness which should guide its use. For the principle has been in danger of falling into discredit not so much because of any essential impracticableness or unsoundness in it, as because of thoughtless and dogmatic interpretation.

The controversy over the use of this principle has ranged far and wide, extending from theoretical discussions of whether it is ever possible to increase an existing wage by deliberate policy, to discussions of the technique of assessing the living wage. The chief problems raised in the course of this controversy and brought under discussion in the following cases may be presented in summary form

1) Even if practicable is it wise and sound to base the wages even of the lowest paid groups of workers upon "need"? Will that policy in the long run protect and strengthen these workers, and help industry and society—or will it breed shiftlessness and destroy the character of the workers?

2) If the "living wage" is higher than the existing wage for lowest paid groups of workers, is it possible by the enforcement of living wage policy to produce such changes in the ability of these workers, the methods of industry, and the sharing out of

Q "You mean a woman who gets six dollars a week, if she knows how to sew and how to wash and how to eat very little food she could get along very much better than the girl who does not?"

A. "I wouldn't say eat very little food. You can take it at ten dollars as well as six. I have seen employees in our establishment that have been earning ten thousand dollars a year and felt they could not live on it, and others have gotten along very well on six or seven, so that I think it is purely a question of the individual. I suppose there is a point below which nobody could live"—Testimony Mr. Percy S. Straus, President of the Retail Dry Goods Association before the New York State Factory Investigating Commission. 1915. Vol. 5. page 2691.

the product, as will make it possible to maintain the "living wage" without doing compensatory harm in other directions? Or must wage settlements concern themselves only with the wage determined by the (so-called) "supply and demand situation"?

There has been much able and impartial theoretical discussion of this question and the reader is referred to the references in the bibliography, as it is beyond our opportunity even to summarize the main points at issue. It is enough to say that a belief in the living wage policy rests on the opinion that the distribution of the product of industry is a process that always is and always may be influenced by the assertion of human wills—within limits that can only be determined by experience. Some good studies have been made of the results of living wage legislation, and references to some of these are given in the bibliography.

3) Experience and reasoning both demonstrate conclusively that there are, at best, certain limits to the change that may be achieved, and to the wages that can be paid to the unskilled and most numerous groups of wage earners at any time. The conception of the "living wage"—if the policy is to be at all practicable—must therefore always be colored by and adapted to the productivity of the economic system. The standard of essential need must be therefore partly economic, and certainly not ideal.

The process of assessing the living wage must be carried out with one eye upon the worker's needs, and the other eye upon what his industry and all industry are producing, or could be made to produce. Judgment and a sense of the possibility of improving human co-operation in industry are more important in reaching a sound decision in this than plain arithmetic. Budget studies are essential to the application of the living wage principle, but cannot and should not control its use completely.¹

4) The problems presented by the living wage principle may be somewhat different according as the principle is put forward for all industries or for particular industries. If adopted for all industries it tends to establish the same minimum level for them all (some variations being made perhaps on the basis of the capacity of individual industries to pay that wage and continue operations—a matter discussed in Cases No. 77 and 78. But if

¹ For illuminating discussion of this subject see "The Living Wage (Tin Smith's Case." South Australian Industrial Reports Vol. 1. (1916-18). page 55 *et seq.*

the principle is urged in particular industries when no general policy is being followed throughout industry, the question arises as to whether it is just and sound to establish it in these industries.

On the one hand it may be argued that the only way it is possible to secure its adoption in American industry today is by pressing it upon individual industries, since no common policy exists. It may be furthermore contended that this is the way to make it gradually into a national policy. Lastly, the claim is sometimes made that even though it leads to a wage level higher than that in other industries, it leads to improvements in the efficiency of labor and of management. On the other hand, the truth of this last argument may be denied, and it may be claimed that the higher wages established will be a handicap to the industry and cause unemployment.

Obviously one main factor in the decision must be the amount of difference between the "living wage" computation and the wages paid for similar labor in other industries. Compromise may often be the soundest course, considering all the relevant facts. Certainly to deny the practicability of the principle completely merely because it would lead to the payment of a higher wage than that paid in certain other industries, is to deny the dynamic character of the purposes it represents and to discard the possible fruitful results of higher wages in the case of the poorest paid groups.

5) Should the needs of the adult male wage earner be computed on the supposition that he is supporting a family, and if so, of what size? Should any attempt be made to adjust the living wage paid to individuals to their individual family responsibilities, by differentiating between married and single men, by a system of family allowances, or by any other means? Should the living wage for the adult female worker be computed on the supposition that she is supporting herself, or on some other basis?

6) If the "living wage" policy is adopted for all industries, the fact must be faced that some of them may be in a position to pay a higher basic wage than others. If the "living wage" is computed on the basis of the assumed capacity of the bulk of industries to pay that wage, those industries which are in a struggling situation may suffer. What policy is pursued in regard to them? That matter is discussed at length in the introduction to

Case No. 77 in this chapter, and may serve to bring the alternatives before the reader's attention.

58—DEFINITIONS—THE LIVING WAGE PRINCIPLE

"... In fixing wages, minimum rates of pay shall be established which will insure the subsistence of the worker and his family in health and comfort."¹

"... Each wage board shall take into consideration the needs of the employees, the financial condition of the occupation, and the probable effect thereon of any increase in the minimum wages paid ..."²

"A minimum wage to be paid to women and minors engaged in any occupation, trade or industry in this state, which shall not be less than a wage adequate to supply such women and minors the necessary cost of proper living and to maintain the health and welfare of such women and minors."³

"All workers, including common laborers shall be entitled to a wage ample to enable them with thrift to maintain themselves and families in decency and comfort, and to make reasonable provision for old age."⁴

59—AWARD—U. S. ANTHRACITE COAL COMMISSION (1920)⁵

The following extract from the minority opinion of the U.S. Anthracite Coal Commission Award is given as illustrative of the argument made by workers for the application of the living wage principle in wage settlement. Notice the terminology of "natural rights"; also the suggestion of several standards.

MINORITY REPORT

The Principle of a Living Wage

In addition to this argument, we specifically urged that the lowest paid anthracite worker was entitled to a living wage, or rates of pay suffi-

¹ As defined in Report of U.S. War Labor Conference Board to Secretary of Labor (1918).

² Section 3 Massachusetts Minimum Wage Law—Given in Bulletin No. 285 U.S. Bureau of Labor Statistics—"Minimum Wage Laws in the United States"—L. D. Clark. (1921). page 258.

³ Section 6 California Minimum Wage Law, as given in Bulletin No. 285 just cited

⁴ Labor Gazette—Dominion of Canada. August 1918. page 617. Declaration of War Labor Policy Dominion of Canada.

⁵ Report, Findings and Award of the United States Anthracite Coal Commission (1920). pages 38-40. Washington, Government Printing Office, 1920.

cient to maintain himself and his family, according to an American standard of living, on a basis of health, decency, and reasonable comfort.

In asking for a minimum scale of \$6 per day, we did so with the realization that this was the absolute minimum amount upon which an adult man could support himself and his family in decency and health. To receive a lesser wage would mean either (1) to discourage marriage, or (2) to make necessary the labor of wives and young children or (3) to bring about a steady deterioration of the health and moral qualities of the families affected.

The first of these three alternatives—the discouragement of marriage—we held was socially and personally undesirable.

The second—the employment of children and wives outside the home—means, in most cases, the destruction of the home, and is an evil which all high-minded people have been fighting for many years.

The third alternative—a deterioration of the health and moral qualities of the families through lack of food, improper housing, etc.—we pointed out, would mean, of course, destruction of all hopes and aspirations for the future of society.

With these considerations in mind, we pointed out to the commission that the anthracite mine workers and all American wage earners have a fundamental economic right to at least a living wage, or an American standard of living. Without this we showed that there could not be intelligent and sound citizenship and that the future was without hope to the mine worker. Failure to realize this right, we showed, breeds revolutionary agitation, and prevents our self-governing Republic from being what it should be. We showed further that the present wages of anthracite workmen were not sufficient to maintain an unimpaired family life, and free the children from the necessity of seeking employment in hosiery and silk mills or the shirt factories in order to supplement the inadequate earnings of their father in the mines. We contended that our wages should be sufficient to guarantee that our children should be well nourished and educated, and that the children of the alien worker should have the Americanizing influence of the public schools.

As concrete evidence of the inadequacy of existing wages and of the lack of a living wage, we submitted the results of our own investigations in the anthracite field and the results of budgetary studies which have been the outcome of research and investigation by impartial students, or by organizations of recognized, authoritative standing, either governmental or private. These budgets showed that average annual earnings of at least \$2,242 were necessary to maintain a miner's family on a basis of health and decency, and average earnings of at least \$1,772 were necessary to maintain even a mere subsistence standard, or one covering physical needs of food, clothing, and shelter alone. On the basis of a minimum of \$6 a day to the unskilled worker, his annual earnings, according to the maximum number of days the collieries would run, as estimated by the operators themselves, would be approximately only \$1,600, or several hundred dollars less than necessary to a subsistence standard of living, and \$800 less, approximately, than necessary to maintain an American standard, or one of health, decency, and reasonable

comfort. We felt, therefore, that our wage requests were extremely reasonable and conservative. . . .

60—RULES OF PROCEDURE—BRUSH MAKERS WAGE BOARD— MASSACHUSETTS (1913)¹

The "living wage" principle when adopted leads to the establishment of a standard wage. As such it may be applied under a system of payment by time, or under a system of payment by results.

This extract from an order of the Massachusetts Minimum Wage Commission in the brush making industry contains provision for establishing the "living wage" under both methods of wage payment. The formula covering this point is typical of that ordinarily used.

Rates of Wages—The Board shall determine minimum time rates for persons of ordinary ability such as will yield in the course of a normal week the amounts determined by the Board . . . to be a suitable minimum wage

An employer who employs persons on piece rates shall be deemed to pay wages at less than the determined minimum rate unless he can show that the piece rates of wages paid yield, under the actual normal condition of employment to an ordinary worker, at least the same amount of money as the minimum time rate

61—REPORT—U. S. COAL COMMISSION—ANTHRACITE INDUSTRY, 1923²

This is an instance of a wage recommendation which was based on the "living wage" idea, expressed in the general terms of observation. The recommendation is accompanied by a detailed study of the cost of living which is not reprinted here.

Whether the earnings and working conditions are such as to enable the anthracite mine workers and their families to maintain a decent and satisfactory—what is frequently called an American—standard of living is one of the questions on which the Commission has sought information both by personal visits of members in the region and by painstaking investigation of field agents.

¹ Appendix No. 2, First Annual Report—Minimum Wage Commission, Massachusetts (1913) page 96.

² Report of the United States Coal Commission on the Anthracite Industry, 1923.

The anthracite miners are not, like some of the bituminous miners, a segregated population. They do not live in isolated communities cut off by mountains or by distance from easy communication with others. They are an integral part of the commonwealth of Pennsylvania, sharing the benefits of the school system, churches, courts of justice, street railways, highroads, and other public and voluntary local institutions. At the same time, they constitute so large a part of the population of the five counties, and the mines, directly or indirectly, furnish the means of livelihood to so large a proportion of the residents, that it is fair to speak with qualifications of Scranton, Pittston, Wilkes-Barre, Hazelton, Shamokin, Shenandoah, and Pottsville, as well as the smaller towns and patches, as predominantly anthracite communities. Their churches, charities, lodges, schools, roads, home life and leisure-time activities are all greatly influenced by the dominating occupations of the men. The great culm piles, the towering breakers sometimes, where modern wet processes of preparation have not been introduced, with black dust rising from them like smoke, the discolored streams carrying black silt, and the broken surface of roads, building lots and fields from subsidence and caving, obvious as all these are to the casual traveler, are, to the trained observer, not more evident than are the effects of the anthracite industry as a whole on the family and community life of the mine workers.

The miner himself works often far under ground, exposed constantly to various kinds of physical danger, under conditions not permitting the factory kind of close supervision. He is likely to be controlled in an exceptional degree by local traditions, practices, and prejudices, justly proud of his skill and jealous of his rights. He is familiar with rough and ready methods of settling personal differences; and because of diverse national and racial origins he suffers from factional and partisan divisions, which are no doubt less in evidence now than formerly, but are still a disturbing factor both in industrial and in social relations.

The miner's work is severe while it lasts and it influences the character of the recreation and amusements which he seeks when he is free from it.

The domestic life of the mining population has, of course, all the lights and shadows of any large number of families. It is no longer a submerged or exploited population, whatever may have been true of the period before 1900, when the series of wage increases described elsewhere in this report began. The earnings of the full time workers set forth in the tables of the appendix certainly permit the essentials of a reasonable standard of living. Those who take full advantage of their opportunities to earn in the various occupations connected with industry and are not handicapped by serious misfortune need not suffer for shelter, food, clothing, or other decencies and comforts of life, even without supplementary earnings of wife or children.

On the other hand, many of the families of the miners' helpers or laborers have a very uncertain and inadequate income. These families, often large, are frequently in economic distress. District nurses and social workers are frequent callers at their homes. The scarcity of labor, which the Commission has elsewhere called the limiting factor at the present time in the production of anthracite, is precisely in this class of labor.

The connection is obvious between the irregular and low earnings and the supply. The industry and the public are especially interested in this aspect of the wage problem for the reason that miners' helpers are the only ones who can get the experience and training to become qualified and certificated miners, and if their wages and conditions of employment are not such as to recruit the right type of men, the future supply of miners is unfavorably affected at its very source. Operators and unions have the remedy in their own hands. Some adjustment of wages and of the terms of employment which will bring larger and more assured incomes to those laborers is the first step in increasing their number and efficiency. To increase production is not the only or main reason for this readjustment, but if it has that effect consumers of anthracite will have no reason to complain.

The impression which a fair-minded and sympathetic observer in the anthracite region will gain is of drab and bleak exterior conditions, imposed not by lack of earnings or incomes but by the very character of the industry. The communities are not without electric lights, water supply, and sewer systems, or churches, schools, libraries, and playgrounds; although a considerable part of the population are less supplied with such facilities of community life than is desirable, and less than the prosperity of the industry as a whole permit, if public spirit and civic responsibility were aroused and directed toward supplying the deficiencies. Detailed information on these subjects will be found in the appendix on Living Conditions and Cost of Living.

62—OPINION—LIVING WAGE PRINCIPLE¹

The short extract printed below is from an opinion ventured by an official of a large New York department store in response to a circular sent out by The New York Factory Investigating Commission in 1914 in the course of its study of the influences determining wages. It is reprinted here since it states a view of the living wage principle which is often held, but which the editor has been unable to find expressed in any wage decision.

"The needs of the individual or of the family cannot in any properly conducted commercial enterprise be a determining factor in the rate of wages, except in isolated cases where philanthropic considerations have been allowed to control. If this were not the case industry would put a premium on shiftlessness by making the employee feel that society was indebted to him for a living, not only for himself, but for as large a family as he cared to raise."

¹ Opinion—L. Barnet, R. H. Macy Co., New York City. In collection of replies printed in Fourth Report Factory Investigating Commission, New York (1915), Vol. 1, pages 418 *et seq*.

63—CANADIAN INDUSTRIAL DISPUTES ACT—CANADA
STEAMSHIP COMPANY (1921)¹

This case illustrates simply that the application of the living wage principle may lead to the establishment of a wage distinctly different from that determined by the supply and demand situation for labor.

6. The question of wages paid on these ships is a difficult one to tackle, and the Board has gone into the subject with great pains and submits the following remarks.—

Generally speaking, the wages paid sailors of both the forward and after crews were found to be below the remunerations of similar occupations, both skilled and unskilled labour, on shore.

Take the wages of a wheelman, for example, in 1915, during the eight (8) months of service on the Great Lakes, which is the maximum period of employment in the year at the scale as submitted to the Board, he would earn \$336 and his board for the period. If he were a married man, and a large proportion of these crews are married, he would of necessity have to support a family on this sum. If he were fortunate enough to get two (2) months intermittent employment, as we believe is the average case, he would make, say \$100, giving him a total of \$436 for his year's work. The *Labour Gazette* for 1915 gives a fair cost of ordinary living for a small family as \$719 16. This means that he would have at that time to deprive his family of what is usually considered as essentials. He has nothing to go on with for a supply of clothing for himself and family as it certainly appears that he was in very bad financial straits and was quite evidently underpaid.

In 1920 the wheelman's wages had been raised up to \$880 for the season. At the higher rate of wages paid on shore, if he got employment, he may have earned \$220, making his whole year's earnings \$1,100. The *Labour Gazette* for that year shows that the cost of living for a small family was \$1,212 12. It will then be seen that although his condition was improved over 1915, he still is not in a satisfactory financial shape to meet the requirements of his family. Examination of witnesses pursuing a similar occupation on shore, say motormen, hoisting engineers, and so forth, shows that the shore standards are much higher and that the shore job is a much better one.

Of course the position of a single man is much better than that of a married man inasmuch as he has his board free and on the other hand he has not as a rule to keep up a household, but the evidence taken would show that a very large proportion are married men and that many single men have contributions to make for the support of their immediate families and relations. In fact there were only a few who did not have claims upon their wages of some sort in this respect.

¹ Report of Board in Dispute, Canada Steamship Company and Employees. Canadian Labour Gazette. September, 1921. pages 1110-12.

In the case of the lower ratings, conditions are proportionately worse. . . .

The Board is of the opinion that the reduction was much too sweeping and after careful consideration believe that a ten per cent (10%) reduction would be more reasonable, especially in view of the fact of the light percentage in the decrease of the cost of living as given by the *Labour Gazette*. This amended schedule of wages should be retroactive from the beginning of the season of 1921. The reduction made this year in the pay of the masters and engineers was only ten per cent (10%). It is difficult to understand why only a ten per cent reduction was made in their cases and nearly thirty per cent (30%) in the cases of the rest of the crew, *unless it be that it was anticipated that there would be considerable difficulty in replacing the certificated staff, whereas in the latter case, it was expected to take full advantage of the widespread unemployment of labour on shore. [italic ours.]* It might be noted, in reference to the exhibits, that the American schedule is much higher than the Canadian at the present time. . . .

In investigation as to the causes of the raise in rates during the period 1914-1920, it appears that it is due almost entirely to the scarcity of men and to the high rates paid ashore. Mr. Enderby testified that when his schedules were being made the Company had solely in view what they could afford to pay, but did not consider, in any case, the conditions of living imposed upon their men. . . .

64—DECISION—SOUTH AUSTRALIAN INDUSTRIAL COURT— CARPENTERS AND JOINERS CASE (1917)¹

The following excerpt presents in summary form those matters which, in the opinion of an industrial tribunal experienced in the application of the living wage principle, must be given consideration in all attempts to apply it as a basis of wage settlement.

. . . The elemental fact remains that an Industrial Court should endeavor, when declaring the living wage in a particular community, to give an award which will stand the following tests:—

- 1) The proper maintenance of the margins for skill etc.
- 2) A fair margin of profit for capital reasonably invested in industries efficiently conducted.
- 3) An avoidance of the danger of increasing nominal wages while decreasing real wages.
- 4) Last, but not least, the provision for the unskilled worker of remuneration which will enable him to satisfy . . . "normal and reasonable needs."

¹ The Carpenters and Joiners Case. Decision No. 29, 1916, and No. 10, 1917. South Australian Industrial Reports. Vol. 1. page 177.

65—DECISION—SOUTH AUSTRALIAN INDUSTRIAL COURT—
THE PLUMBERS CASE (1916)¹

This extract sets forth in clear terms the *ethical* and *relative* character of the living wage conception—two characteristics which have frequently been misunderstood, and which account for the element of indefiniteness in the conception and for the extremely wide room for differences of opinion in trying to apply it in practice.

. . . The statutory definition of the living wage is a wage adequate to meet the normal and reasonable needs of the worker. In other words, the conception is ethical rather than economic. The Court has not to determine the value of the services rendered, but to determine what is necessary to meet normal and reasonable needs. It should be obvious that in the interpretation of reasonable needs the Court cannot be wholly indifferent to the national income. The reasonable needs of the worker in a community where the national income is high are greater than the reasonable needs of the worker in a community where the national income is low. In various cases I have pointed out the reasons why the Court, in the interests of the employees themselves, should not fix a living wage too high. *Inter alia*, to do so might involve the extinction of important industries, which it is desirable, in the interests of all classes, to retain in the community. At the same time the higher the national income, the higher should be the standard of living among the workers generally; and this fact should be taken into consideration in the estimation of what are reasonable needs.

66—SOUTH AUSTRALIAN INDUSTRIAL COURT—THE LIVING
WAGE (TINSMITH'S CASE) 1918²

This case presents the argument that it is to the interest even of the employers that wages do not fall below a certain minimum above the subsistence level.

(II.) The Interests of the Employers

The second proposition which I wished to emphasize is that *in the interests of the employers themselves* it is of the utmost importance that, in my estimation of the reasonable needs of the worker, I should not fix a figure which is only adequate to a bare subsistence. This must seem a platitude; but its truth and importance are seldom realized. Just as there

¹ South Australian Industrial Reports Vol. 1 (1916-18) page 122.

² The Living Wage (Tinsmith's Case) South Australian Industrial Reports. Vol. 1. (1916-18) pages 76-82

are employees who seem to think that the higher the Court fixes the basic wage the better, so there are employers who seem to think that it is a primary duty of this Court to keep the wages for unskilled labor down to a bare subsistence level. Such employers may be assumed to know more about their businesses than about the home conditions of the worker—to be too obsessed by the former, too little concerned with the latter. Nor is it even sound business to underpay the worker. It is true that particular employers may make *profits* by the award of a wage lower than the true living wage. But *the interests of the employers as a whole* are not to be promoted by sweating wages, or even by a bare subsistence wage. The budget of "A D," submitted on behalf of the respondents in this case, showed how a family of four could manage to live on a wage of 8s 1d per day. The respondents also produced evidence to show that, in some of the items, further small reductions might be made. But the omissions of the family budget in question were far more significant. For example, there was no allowance for amusements, blue, starch, cleanser, education, fares, furniture (purchase, repairs, or depreciation), insurance, lodge, &c, papers, condiments, sewing machine, tobacco, union fees, kitchen utensils. Inevitable expenditure on these heads implies a sacrifice of expenditure on food, already reduced to a practical minimum. The allowance for meat was for 3½ lbs (3s 11d), in other words, ½lb of meat per day among four people, an amount which I cannot regard as adequate, even though it was supplemented by an allowance of 11d of bacon per week *for four people*! The allowance for vegetables and fruit per week was 1s 8½d. The allowance for boots, clothing, hats, &c, for all needs and occasions, was £16 12s. 6d per year, or, say, 6s 5d per week. I do not doubt that a family of four *might* be clothed at this low figure, but it represents a degree of economy which I do not think any industrial tribunal in Australia would willingly impose upon the worker. I could only accept the budget as the basis of an award on the hypothesis that the housewife of the unskilled laborer has powers of economy, intelligence, and resourcefulness which are not to be found in any other class of society. I do not feel I should be justified in assuming the existence of such housewife for the purposes of a wage which is to cover the unskilled laborers generally. I am speaking now, of course, generally, in the interests of the employers as a class; and I do not think it is to their interests that even the unskilled laborer should be awarded a rate which would in practice involve in most cases a degree of physical and mental starvation very prejudicial to the efficiency of the worker. I cannot too strongly emphasise the fact that it is for the interests of the employers themselves, as well as for the employees, that the living wage awarded by this Court should be such as to ensure to every workman a wage sufficient to maintain him in a high state of industrial efficiency, and to provide his family for the necessities for health and physical well-being. When economists speak of the *potential economy of high wages* they are not talking in the air. They are talking of something which has been demonstrated in the industrial development of modern communities. "The English cotton manufacturer," writes Miss Clementina

Black "produces more cheaply and more profitably, upon the whole, than any competitor, and in the highest branches of the trade can hardly be approached. The reasons of this pre-eminence are that the good conditions enforced by law, and the comparatively high wage enforced by the trade unions, combine to create for him the most efficient body of cotton-workers in the world. Once more the facts of industrial history proclaim the truth that efficiency is not the cause, but the product, of high wages, healthy surroundings, and reasonable leisure." (*Sweated Industries*, pp. 226-227.). The mistake that is often made by private employers is the mistake so commonly, and I fear justly, attributed to Governments—the mistake of *seeking efficiency through economies rather than economy through efficiency*. . .

67—SOUTH AUSTRALIAN INDUSTRIAL COURT—THE LIVING WAGE (PRINTING TRADES CASE) 1920¹

This decision is notable for its analysis of the living wage idea. In its presentation of the ethical and economic justification of the living wage principle and in its analysis of the problems involved the decision stands alone in economic literature and should be read in full.

The extracts given here contain the main ideas set forth in the decision concerning the character of the living wage principle, an explanation of the elements of definiteness and indefiniteness in the conception.

Special attention may be called to two sentences in the decision: (1) "a living wage is not a *mathematical certitude*, but a *practical generalisation*—a generalisation of which the validity depends upon the impartiality, knowledge, and breadth of outlook of the tribunal which declares it." (2) "All we can say is that the ascertainment of the living wage progresses towards definiteness and justice with the accumulation of our knowledge as to the physiology of man, the work to be done, climatic and other conditions of his life, and the material resources of the community of which he is a citizen."

I. Relativity of Living Wage

The appellants argued on the assumption that the "living wage" admits of such precise interpretation in terms of money that a subsequent adjustment to accord with a change in the purchasing power of money can be regarded as purely actuarial. In actual fact, whether we are thinking

¹ The Living Wage (Printing Trades) Case, South Australian Industrial Reports Vol. 3. (1920). pages 221-3.

of family groups or individuals, there is an element of elasticity, both in the concept of the "necessaries of life" and in the ascertainment of what sum of money may be required to provide such necessities. The living wage section of the Act of 1912 speaks of "the normal and reasonable needs of the average employee." "Normal" is difficult to interpret with mathematical precision. "Reasonable" is a question-begging epithet. In any case, the two terms have to be read as complementary. The term "average employee" is an abstraction comparable in elasticity with that concept of the "average man" to which generations of Judges in Civil and Criminal Courts have sought to give a workable approximation. In the first place, much depends upon such variations in the personal equation as intelligence, training, thrift and general health. In the second place, variations exist as to the nature of the work, whether mental or physical, and if physical, whether moderate or hard. In the third place, the capacity of one man to turn food into energy is not as another man's; and the physical needs of the so-called "average employee" are not ascertainable with the nicety and precision which may be possible in dealing with a machine. In the fourth place, there is no agreement among experts on dietetics as to the quantity of protein and callories necessary for *normal* results, "normal" in italics, because that, too, is an abstraction.

A community cannot distribute more than it can produce. Apart from this troublesome but insurmountable obstacle, the figures which I have quoted suggest, by necessary inference, that the working class of Australia is being starved. Anyone who had lived in some parts of the south-east end of London, and had seen men and women grappling with the grim spectre of dire poverty, would experience some difficulty in discovering any comparable class in Australia. On the contrary, I think he would conclude that the Australian worker is a very fair specimen of developed humanity, not in any sense comparable with the starving populations just referred to, or with the starving populations which now exist in many European countries.

The fact is that man is an adaptive animal. He can thrive on hardship, and degenerate on luxury, or even abundance. The first man you meet in the street will probably be able to tell you what sum is necessary to maintain a standard of living below which is "beggary." The actual fact is that no man can tell what he can do until he is "up against it." The ordinary man can, for example, adapt his dietary, within limits, without prejudice to his health or even his efficiency. I do not desire to ignore for one moment the important distinction which exists between a mere subsistence wage and a living wage as it should be, and even as it may reasonably be expected to be. In *The Salt Case* (1 SAIR 1, at p. 6) I quoted a dictum of the late Mr. Justice O'Connor who affirmed the necessity to take into consideration the increased comfort and the higher standard of social conditions which prevail in Australia, as compared with most older countries. Unfortunately, there are, even in Australia, some, far too many, who do live on a mere subsistence wage. But what that wage means in exact terms of money, or of material commodities purchased, varies indefinitely according to circumstance, particularly the degree or kind of necessity, and the ingenuity of those who cope with that necessity.

We further conclude that no change should be made for the year beginning August 8, 1922.

89—COURT OF INQUIRY—GREAT BRITAIN—TRAMWAY INDUSTRY (1921)¹

This case is given as an instance in which it was judged that the condition of the particular industry concerned made it inadvisable to grant wage increases justified on the "cost of living" principle. The text of the decision does not show that any consideration was given to the condition of industry in general, or to the possibility of the workmen employed finding work in other industries at the wage rates justified on the "cost of living" principle. But it is probable that incidental attention was paid to these questions anyhow. The character of the particular industry concerned was also probably a factor in the decision, since the possibilities of adding to the income of the industry by raising the price of its products are in this industry definitely limited.

Case for the Employees

11 The case for the employees' side is that since June, 1920, the average increases over pre-war rates of pay have remained at 130 per cent. to 164 per cent according to grades. The percentage increase in the cost of living since July, 1914, was 150 per cent. on 1st June, 1920, but since that time the figure rose to 176 per cent. in November, and in January it stood at 165 per cent. After the hearing was concluded the Ministry of Labour published the figure for the 1st February, which is 151 per cent. The percentage advances in wages throughout the war period and since have not moved uniformly with the cost of living figures. The wages application for an increase of 12s per week to adults and of 6s. per week to youths under 18 years of age, in order to meet the increase in the cost of living which had taken place since the wages settlement of 29th March, was put forward as a temporary adjustment, pending the deliberations of a Standardisation Committee which the employees were anxious to have set up.

12. Family budgets were submitted based upon the household accounts of tramway workers varying from an average weekly expenditure of £3 16s. 7½d. for a family of four to £4 9s. 3d. for a family of seven, as against an average weekly income of £3 18s. 7½d. and £3 13s. 9d. respectively. In support of the budgets submitted, in some cases the wives of the tramway workers concerned, and in other cases the men themselves, gave evidence as to the difficulty they experience in

¹ Report of a Court of Inquiry—Tramway Industry—Great Britain 37, House of Commons (1921)

not to be lowered save for the most cogent reasons. The assessment of the living wage holds good until challenged by adequate argument and evidence to show cause why some adjustment should not be made. It rests with individual employers and their employees, acting in a mutual regard to common interests, to provide a greater security of employment and a higher standard of living, than can be justly ensured or imposed by Industrial Courts which are concerned with industries as such, and not with particular business concerns as such. . . .

68—ARBITRATION—MIDDLESEX AND BOSTON STREET RAILWAY COMPANY (1921)¹

This decision emphasizes in another way the opinion that the living wage conception represents an aspiration, to be interpreted perforce in relation to the national income.

In considerations of this nature it is exceedingly difficult to avoid the sympathetic impulse which prompts a most generous support to the natural desire of wage workers in general for a larger participation in the comforts and luxuries of life than they have hitherto enjoyed

The living wage theory has attained great popularity in this country during recent years and has had the cordial endorsement of many eminent authorities. The fundamental difficulty in its practical application, however, seems to lie in the fact that we cannot take from industry in the form of income a greater amount in the aggregate than has been put into it in the shape of productive effort

It is of course obvious that if nothing was produced in the world there could be no income for anyone, and similarly the total of all incomes cannot exceed the combined value of the world's production. Millions are starving today in Russia, not because the theory of the living wage is denied to them, but because industry has been disorganized, demoralized and destroyed, with the result that production has been made impossible, and as a result there is nothing of value to distribute as income

69—ARBITRATION—STREET RAILWAYS—MASSACHUSETTS (1923)²

Here is illustrated in a concrete dispute the way in which every living wage claim is inevitably brought into comparison with the income of industry. The comparison may be made into

¹ Arbitration between the Middlesex and Boston Street Railway Company and the Amalgamated Association of Street and Electric Railway Employees July 1, 1921.

² Arbitration Eastern Massachusetts Street Railway Co. vs. Amalgamated Association of Street and Electric Railway Employees, etc. (1923). U.S. Monthly Labor Review, July, 1923 pages 87-91.

a simple mathematical computation, in which case it may ignore the active assertion of which the living wage claim is indicative and which is its essence—the desire to see if the productive system cannot be made to yield a wage approaching an abstract standard, if the effort is backed by the will.

It was argued very forcibly on behalf of the men that the arbitrators should not take into consideration the financial condition of the company or the conditions under which it is operating or is likely to operate, but should determine, without regard to its effect upon the company or the transportation facilities to be furnished by it, what was a fair and reasonable wage to be paid according to the American standard of living. It is very difficult to determine what is a just wage for any service performed, and if we attempt to fix the fair and just wage in the abstract, without any consideration of the industry involved, or the conditions which it is obliged to meet, or a consideration of the pay obtained for similar services in the vicinity where the wage is to be paid, we get nowhere and an award becomes but the expression of an opinion of an arbitrator as to what is just, based upon nothing except his views as to what a man in the occupation should have to support himself and his family.

So long as efficiency is maintained and no serious impairment of our economic structure results, I agree with the thought that it is desirable for society that we make the purchasing power of the worker as high as we can, to the end that he and his family may have the opportunity of sharing equally as may be in the production of the country and of enjoying such happiness, comfort, and contentment as may be derived therefrom. But in applying our theories we find ourselves controlled by conditions that we can not overcome. We can only approach our ideals by the most painstaking steps.

Thus it seems to me that in fixing wages, judged solely from the standpoint of the employee, we must ordinarily take into consideration the interest of the industry in which he is employed, as his interest may be inevitably interwoven in its interest. To fix a wage which I might think he ought to have in order that he and his family may enjoy what I conceive to be the American standard of living and thereby destroy the industry in which he is employed would be folly. It is no answer to say that if the industry were destroyed he could obtain employment in some other industry at as high if not higher wages as he has that choice now. To destroy the industry simply deprives him of a choice. Nor is it an answer to say that if the Eastern Massachusetts Street Railway Co. were obliged to suspend operation another form of transportation would take its place and the men could get employment in that at the same or at a better wage. By far the greater number of uniformed men have worked for the company for more than 15 years; many of them are in advanced years of life. It by no means follows that if motor busses should take the place of the street cars the men would get employment in the operation of the busses, or if they could that their wages would be higher than those they are now receiving. . .

70—DECISION—U. S. RAILROAD LABOR BOARD—MAINTENANCE OF WAY EMPLOYEES (1922)¹

This case is reprinted because it illustrates the clash that has taken place over the application of the "living wage" principle in the settlement of the wages of railroad workers—a clash over theory and method.

The clash over theory centers on the question whether it is possible and desirable to bring about any change in the product and distribution of the product by means of this principle. (This is certainly a central point of difference between the two sides, although it can be discerned only obscurely in much of the discussion).

The particular claim made is clearly shown to be pretty far out of relation to existing incomes. The minds of the two sides do not appear to have entered into sufficient sympathy with each other to produce a careful joint exploration of this ground, to agree upon a reduction of this claim to a standard of living in better relation to the income situation—although the unions offer to accept a distinct compromise pending further inquiry.

The clash over method arises as regards the use of the budgetary system (see following Case No. 76) and over the possibility of defining the living wage either as a mathematical certainty or practical generalization. To the majority the whole attempt is based on a guess and makeshift—an approach to "communistic ruin."

The case ended in bitter dissent which has lasted.

MAIN REPORT

Subject of the dispute.—This decision is upon a series of controversies or disputes between the carriers and the classes of employees represented by the organizations, named below. The subject matter of this dispute is what shall constitute just and reasonable wages. . . .

The Labor Board in its present decision considers all the seven elements or factors set out in the transportation act, 1920, for its guidance in fixing just and reasonable wages, but lays special stress upon the first, which reads as follows: "The scales of wages paid for similar kinds of work in other industries." . . .

¹ Brotherhood of Maintenance of Way Employees vs. Alabama and Vicksburg Railway Co. et. al. Decision No. 1267, U.S. Railroad Labor Board Vol. 3. (1922). pages 767-91.

In view of these facts and circumstances and all the evidence adduced in this case, the Labor Board is of the opinion that a conservative increase of wages is clearly due to the three groups of unskilled labor and to the section foremen. . . .

DISSENTING OPINION

In deciding this request, two resolutions were offered, the second by Mr Wharton reading as follows.

(2) The right of all workers, including common laborers, to a living wage is hereby affirmed.

In fixing wages, minimum rates of pay shall be established which will insure the subsistence of the worker and his family in health and reasonable comfort. . . .

The Living Wage is Legally Sound

Under any proper interpretation of the transportation act, therefore, I hold that an adequate or living wage for unskilled railroad employees is a legal right of such employees, and that the Labor Board is not meeting the mandates imposed upon it by the law in its failure to accept the living-wage principle. The principle should, of course, be applied with discretion and with due caution, nevertheless it is the duty of the board to accept and apply it. . . .

The Law Has Set Aside the Forces of Supply and Demand

The board must accept some fundamental principle as the basis of wage fixing; otherwise, it can follow no guide but the relentless, inhuman, fluctuating forces of supply and demand. It can not be denied that in private industries the wages of unorganized and unskilled workers are very largely fixed by these forces. As industrial development progresses, however, supply and demand enters less and less into the wage question, until a condition of affairs is oftentimes reached where employees and employers are organized and are of about equal economic strength, and where both parties agree to meet together and bargain collectively, referring such matters as can not be settled in conference to an impartial tribunal for final adjudication. When this is done, as is the case in many private industries, there can be no place for the invocation of the law of supply and demand. An arbitration board selected must ignore these factors and in its deliberations and decisions attempt to establish rates of pay which are adequate and equitable, or, in other words, just and reasonable. . . .

The Budgetary Method Is Necessary and Practicable

The use of a family budget is essential to any attempt at ascertaining practically what a "living wage" should be. Our basic industries do not

offer rates of pay which, under normal working conditions, enable an unskilled worker to earn an amount sufficient to support himself and his family in health and modest comfort. His wages must be supplemented by the earnings of his wife and children, or by the taking of boarders and lodgers into the home. Otherwise, the family income is inadequate. The prevailing wage in American industry, in other words, is a family wage. The energies of all the members of the family capable of working are required in order to secure an income sufficient for average needs. That this condition of affairs is also true of the families of maintenance of way employees of the railroads has been demonstrated by the personal testimony of section men and their wives who have appeared before the Labor Board.

Existing rates of pay in private industries can not, therefore, be used as precedents in determining what a living wage should be. A tribunal such as the Railroad Labor Board in attempting to give practical application to the living-wage principle, can not rely on *what is*, but must find out *what should be*. A budget must be constructed to cover the quantities of foodstuffs and clothing which an average family requires in order to be properly nourished and decently clothed, necessarily [sic] housing facilities and fuel, and sundries or miscellaneous articles essential to modest and frugal comfort. When the quantities of the different classes of articles necessary to the healthful consumption of an average family have been determined, the different articles can then be priced, and the sum of these prices indicates what annual income should be had. If the aggregate cost of the articles required to maintain a conservative standard of healthful and decent living is then divided for a given period by the normal working time, the average rate per hour or day may be ascertained which should be paid to the average unskilled worker in order that he may support his family in reasonable health and comfort. It is not claimed, of course, that a living wage rate can thus be determined with mathematical precision, but the approximate amount which is necessary to support an average workingman's family in health and decency can be found out, and on this basis the board could proceed conservatively and with due discretion to fix a rate of pay which would be reasonably adequate.

The practicability of the budgetary method has already been demonstrated by experience. It has been used in many states by wage boards and commissions to establish minimum rates of pay for women in mercantile and manufacturing establishments. It has also been adopted by the former National War Labor Board, the Kansas Court of Industrial Relations, and by the Commonwealth and other arbitration boards in Australia.

Many objections, both from the standpoint of equity and of a practical statistical character, have been submitted against the budgetary method by the representatives of the railroads. Some of these objections are merely technical; others involve more serious considerations. None are insurmountable, and all can be overcome by the exercise of sound judgment and discretion by the board.

It has also been claimed that the practical application of the living-wage principle by the budgetary method would be financially impossible,

or would involve such a financial outlay as would constitute a grievous burden to the shipper and to the consumer. If established on the railroads, it is also declared that it would have to be met by private industries, and the resultant cost would mean a general increase in prices or an industrial breakdown.

Similar arguments and prophesies have been developed in the past against the establishment of the eight-hour work-day and other measures of industrial equity or amelioration. The dire results which have been predicted have never materialized. Likewise, a conservative, practical application of the living-wage principle would undoubtedly be attended by better and more advantageous conditions of railway operation. Added labor costs would be absorbed completely or to a large extent by increased labor efficiency and by managerial ability. The practical experience in Australia, where this same argument was used against the adoption of the living-wage principle as the basis for wage-fixing, is of much value, and shows the unsoundness of the position of those who have taken an attitude of extreme opposition. . . .

As a matter of fact, there is no sound reason why the budgetary method can not be employed to determine what the minimum income essential to the reasonable living requirements of an unskilled laborer, wife, and three dependent children should be; furthermore, there is no sound reason why such a standard can not be ascertained and applied to the transportation industry without impairment of its economical and efficient operation. Under a proper application, it would undoubtedly reduce, rather than increase, labor costs. The only criticism, indeed, which has been made has not been against the budgetary method but against its application. It has been twofold; (1) The standard of living which should be allowed as the basis of a living wage; and (2) the size of the family unit. But the request of the employees in this case for a recognition of the living-wage principle, and its application to the extent only of an opportunity for laborers and section men to earn a maximum of \$1,175 a year, has been so reasonable, conservative, and so financially practicable that it has seemed to me that it should have been granted by the Labor Board pending a more exhaustive inquiry as to what a living wage should actually be. The requests of the employees, in other words, have impressed me not only as being reasonable and conservative, but clearly within the range of practical application. . . .

SUPPORTING OPINION

The fundamental difference between the decision herein and the dissenting opinion is that the former is based upon the transportation act, 1920, and the latter upon a fantastic theory the very essence of which its own proponents expressly characterized in the hearing before the Labor Board as a "guess and a makeshift."

The theory of the dissenting opinion, if carried to its legitimate conclusion, would wreck every railroad in the United States, and if extended to other industries would carry them into communistic ruin.

The law directs the Labor Board to establish "just and reasonable" wages for this class of railway employees, and it sets out seven factors or elements which the board shall consider, among other relevant circumstances, in reaching a conclusion as to what is a just and reasonable wage. .

The board is impressed with the idea that Congress has thus enumerated the considerations which any intelligent business man of just social conceptions would naturally adopt in fixing a just and reasonable wage.

It is the view of the majority that it is its duty to give due weight to all seven of these factors, but the dissenting opinion summarily excludes the first and argues that it should receive no consideration.

The contention of the expert economists in their presentation of this case for the employees was that the board should fix for common labor "the living wage." This is likewise the basis of the dissenting opinion.

If the contentions were that the board should establish "a living wage," the majority would readily accede to the proposition, and, as a matter of fact, the board in this instance, as in all others, has granted a living wage. . . .

But the abstract elusive thing called the "living wage," confessedly based upon a makeshift and a guess, cannot receive the sanction of the board because it would be utterly impractical and would not be "just and reasonable" as the law commands. The living wage is defined by its proponents before this board as follows:

A wage which will support a family of five in health and reasonable comfort, such family being assumed to consist of a husband and wife and three dependent children under 16 years of age.

This constitutes a bit of mellifluous phraseology, well calculated to deceive the unthinking. It has frequently been demonstrated that a melodious slogan contains more possibilities of danger and destruction than a dynamite bomb.

To ascertain what is reasonable comfort, it is proposed that experts shall prescribe a standard of living for a family of five, setting out in minute detail what the experts think such a family should have in food, clothing, furniture, housing, and all the other necessities of life. The fallacy of this proposal is inherent and fundamental.

That it would be wise and practical to undertake to establish an arbitrary standard of living for several millions of people is not apparent. That the desires and requirements of all men are equal and alike is not correct, and that any committee of experts could set up an average living standard upon which a wage scale could be practically based has not been demonstrated anywhere. If theorists should evolve such a standard of living, it would not be possible to obtain any general conformance to it by those for whom it was designed. Standards of living have never been theorized into men. A man can not be picked up by the scruff of the neck and hoisted into a new standard of living. Such a change in the individual man is a matter of growth and development. When brought about by natural processes, it is socially and economically beneficial, but, if attempted by legislation, it is a wasteful absurdity. To provide a somewhat expensive standard of living for a man who by habits, training, and

ambition is not prepared for it, wastes money and confers no real benefit on the individual.

It may well be observed that this theory of standardization necessarily fails to take into account many of the economies that are practiced by thrifty people who desire to get ahead in the game of life.

That standards of living are gradually improving in this country is undoubtedly true, and this is as it should be. There is no member of the Labor Board who does not profoundly desire improved living conditions for common labor, but it is our belief that this movement must be continued along the lines indicated by human experience and that it can not be consummated in the twinkling of an eye by artificial expedients.

As a matter of fact the expert representative of the employees in this case admitted that the immediate establishment of "the living wage" would, to adopt his language, "throw a monkey wrench into the industrial machinery." He therefore suggested that the board only make a start in that direction at this time. Such a proposition is entirely illogical. If the living wage is the just and reasonable wage authorized by the statute, it is the duty of the Labor Board to establish it now. If it is not the just and reasonable wage commanded by the law, then it is not the duty of the board to adopt it now or hereafter, unless the law be changed.

If it would now be equivalent to a monkey wrench thrown into the machinery, as its advocate says, it might amount to the same thing later on, and the Railroad Labor Board made no mistake in declining to commit itself to this theory.

The adoption of the family of five as the typical family is arbitrary and questionable. According to the United States census of 1920 there were 24,351,676 families in a population of 105,710,620, an average of 4.4 persons to a family, and not 5. This includes all members, regardless of age. The census also shows that there were about 35,000,000 dependent children under 16 years of age, an average of 1.4 dependent children to a family, and not 3, as assumed in the living-wage theory.

Furthermore, the 1920 census also shows that for each family there are 1.36 male workers. According to the living-wage theory, each family of five would be supported by one worker, while, as a matter of fact, each family would have the support of 1.36 workers.

It is interesting and instructive to take note of the undoubted results that would follow the adoption of the theory of "the living wage." The representative of the employees states that according to the lowest living budget now available the living wage for common labor should be 72 to 75 cents an hour.

To bring the rates of common labor on the railroads to 72 cents an hour would necessitate an increase of 125.7 per cent. To maintain existing differentials between the rates of common labor and skilled labor—and the representatives of the employees insist that proper differentials must be maintained—would necessitate an increase by the same percentage of the rates of all classes of railroad workers.

This would add approximately \$3,112,952,387 to the annual pay roll, bringing it up to \$5,589,445,993. Total expenses would then be approximately \$7,804,871,733, and total revenues (1921) \$5,563,232,215, and the carriers would face an annual deficit of \$2,241,639,518.

But, the representatives of the employees say, it would be impracticable to establish the living wage all at once, but that as a starter 48 cents an hour should be made the minimum wage for common labor for the present. Assuming the retention of the existing differentials for common labor on the railways, and for all other classes of labor, this would mean an increase of 50.45 per cent, which would add to the annual wage bill \$1,249,390,994, bringing it up to \$3,725,884,540.

The total annual expenses of the railways would be \$5,941,310,340 and total revenues (1921) \$5,563,232,215, and the carriers would be up against an annual deficit of \$378,078,125.

In either instance there would not be a cent of returns for stockholders. Of course, for those who desire Government ownership this would be a quick method of getting it, for it is a sure thing that the public would not stand for the imposition of higher rates to pay such a deficit.

It must be remembered, in the last analysis of the matter, that the public would have to pay this wage bill, and when we say the public, everybody, rich and poor, is included. A vast percentage of the burden would be passed on to laboring men and women in other lines of industry in the form of increased living expenses. From the effort to meet such increased expenses there would necessarily result a wide extension of the struggle to raise wages in all other lines of industry and the disturbance and disorganization of business in general.

It is our belief that the people of this country are perfectly willing that railway labor, with its hazard, skill, and responsibility, should be well compensated, even to the point of liberality. In view of this friendly public sentiment, it is not wise for labor organizations to seek to impose upon the farmers and producers of the country a crushing burden at a time when the losses of readjustment are so keenly remembered . . .

71—GREAT BRITAIN—TRANSPORT WORKERS—COURT OF INQUIRY (1920)¹

This extract from the minority report of a Court of Inquiry dealing with dockers wages illustrates the opinion that the "going wage" as established by the forces of supply and demand is necessarily a living wage since it enables a sufficient supply of labor to be procured; and furthermore that it is a better measure of the living wage than can be secured by the budget method.

MINORITY REPORT

(8) Considerable importance appears to have been attached during the inquiry to the presentation of rival budgets of weekly expenditure in a docker's family. These budgets seem to us to be inconclusive. They

¹ Great Britain—Transport Workers—Court of Inquiry. Cmd. 936. (1920). Report and Minutes of Evidence. Vol. 1. page 21.

assumed the same earnings for every man—the same number and class of dependants, and the same thrift in the docker's *ménage*. The employer's budget was obviously too restricted for a family of 10 children, whilst Mr. Bevin's budget of 6*l.* a week was as obviously superfluous for a single man. The fact that work at the docks at existing rates of wages is attracting and holding more than enough men of entirely satisfactory physique appears to us to be better evidence as to whether the pay is sufficient for maintenance than any number of theoretical budgets. . . .

72—SOUTH AUSTRALIAN INDUSTRIAL COURT—THE PRINTING TRADES CASE (1920)¹

It is often strongly argued that all attempts to improve the wage standards by all such principles as the living wage principle must be ineffectual, because wages can only be increased by an increase in production. A full discussion of that point would carry us deep into realms of economic theory and experience as was pointed out in the introduction. The reader is left to pursue the matter for himself. The following extract is printed merely as a partial memorandum on the subject, from the point of view of one responsible for the settlement of wage disputes, but in no other wise able to affect production—the usual position of labor boards and arbitrators

IV. Production, Economy, and Wages

Is an increase in the living wage (subsistence wage being assumed) justifiable under abnormal conditions when the paramount needs of the community are increased production and greater economy?

In the British House of Commons, in March, Mr Lloyd George is reported to have said that high prices were remediable only by increased production and national economy, and that there was no short cut to improved conditions. A like viewpoint has been taken by many Australians who speak with concern of a prevailing tendency to deal with symptoms rather than causes "In the manner of lunatics," it is said, "we are crying out about the high cost of living, and we are doing all we can to perpetuate conditions of scarcity and to make the cost of living soar still higher." In Judgments of this Court I have reiterated the limitations imposed on Industrial Courts by conditions of national finance. In *The Sugar Refinery Employees Case* (2 SAIR 166, at p 174) I remarked that no jugglery, not even a complete transformation of our industrial system in accordance with the ideals of State socialists or guild socialists,

¹ The Living Wage (Printing Trades Case). South Australian Industrial Reports. Vol. 3 (1920). pages 240-3.

will enable a community to maintain higher real wages than are warranted by conditions of national prosperity.

Three propositions need no argument —(1) The material prosperity of a community is dependent upon the efficiency of production and the exercise of a judicious economy. (2) Tinkering with symptoms without regard to causes must spell disaster. (3) World poverty resulting from the war—a poverty not so apparent in Australia, but still reflected as a result of various causes, including the absorption of a large part of our population for war purposes during the war period—has greatly emphasized the need for increased production and greater economy.

These propositions appear so true, and their full and frank recognition so vital to our social welfare, that I venture to ask some questions by way of illustration, leaving answers to the common sense. For example, what shall be said of those who grumble at the high cost of living, yet, instead of reducing their expenditure to a minimum, indulge in an extravagance which diminishes supply, and so makes it extremely difficult for people who are really on the bread line to secure the bare necessities of life? *What shall be said of employees who countenance a "go-slow" doctrine, with regard to which that most eminent and humane economist, Alfred Marshall, says—"The notion that the condition of the working classes generally can be improved if each group of them refrains as much as it can from using up the 'work fund' at its disposal, is the chief cause of the most bitterly anti-social policies into which the working classes have ever strayed* . Any section of industry that adopts the practice is likely to lower considerably the purchasing power of the wages of other workers" What shall be said of those who, to whatever class they belong, spill their energies in futile recrimination, without "doing their bit" towards redressing the balance of supply and demand by increased effort? What shall be said of those who, under an obsession as regards wages or salaries, act as if the supreme felicity were to be found in a high nominal wage or salary? What shall be said of those who preach the ideal of a White Australia without shouldering the full responsibility involved in the ultimate maintenance of that ideal? What shall be said of those who, from class envy or otherwise, condemn the accumulation of wealth as being bad *per se*, regardless of the distinction between capital and capitalism, and regardless of the fact that wealth accumulation is essential to the maintenance of the national peace, prosperity, and honor? (If, as is so often said, the American worker is three times as productive as the English worker, the result is largely due to the possession of that superior plant and organisation which the accumulation of wealth makes possible) Again, what shall be said of those who, because a Utopian distribution of the national income is unattainable, fail to recognise that the more goods produced, the greater is the chance for all citizens getting some share, even though that share may not be ideally just? What shall be said of those—and there are representatives in every class—who indulge in a spirit of envy, which poisons the springs of national life, happiness, and character?

Such questions may be well asked by every citizen who realises that the paramount needs of Australia to-day are increased production and increased economy.

The statement of Mr. Lloyd George, which I have referred to and enlarged upon, is however, partial. In the first place, nothing at all is said about the question of distribution. While the wage earner may agree that increased production is necessary, he will also ask, and ask with perfect propriety, exactly where he "comes in" as regards his share in the advantages of increased production. He will point to the existence of trusts, combines (express or tacit), and the artificial regulation of prices by private persons or private business concerns. Official authorities the world over will provide him with examples of profiteering. Is it remarkable if he should exaggerate the extent to which profiteering affects the general level of prices, and seek refuge in open revolt? Equity of distribution is secondary to production, but it must be part of any national programme if social welfare is to be assured, or universal discontent to give way to reasoned content. The plain fact is that the extravagance of the few is as potent, or nearly as potent, a cause of industrial discontent as the high cost of living.

In the second place, the statement of Mr. Lloyd George ignores the differentiation of social organs, whether for production or distribution. In prior judgments of this Court, I have frequently spoken of "the complementary agencies of social amelioration." Those agencies partly relate to production and partly to distribution. Amongst the public agencies of social amelioration is the Industrial Court. That Court has to do with distribution rather than production. I have been asked by a business man why I did not see that the workers did a fair day's work for a fair day's pay! I answered that it was difficult for me to ascertain to what extent "go-slowism" was existent (as distinct from being merely a political device for electioneering purposes); that what I had seen of the factories of this State did not go to justify the charge of "go-slowism" amongst workers generally; that in any case, it was impossible for the Court to regulate output; and that in so far as any section of the workers might be guilty of "go slow," the Court could not prevent them from digging their own graves or the graves of members of their class if they were determined to do so. In so far as the Court has jurisdiction in respect of strikes and lock-outs, it may be regarded as a public instrumentality for the promotion of production. In so far as the President of the Court has imposed upon him the power to mediate in industrial disputes, the same conclusion results. But an Industrial Court is primarily an organ of the community for promoting distributive justice. As such, it has to evolve canons of wage justice. It has also to mitigate symptoms. I referred in *The Salt Case* to the evils of poverty, and to the disastrous consequences to the community resulting therefrom. The Court is one of the organs of the community for preventing, within limits, the existence of poverty. In the discharge of this function, the Court is not merely an organ of distributive justice, but also an organ for promoting production. It is useless to ask the malnourished worker to put his back into his work. In any case, even if he could, there would yet remain the tragic reality of a posterity foredoomed to inefficiency for want of those things necessary for proper physical development.

In the third place, looking especially at present conditions, there is the outstanding fact that a crisis of high prices exists. That crisis has

to be tided over. In the process, there are limitations both to increased production and increased economy. Despite the tariff, Australia cannot be regarded as isolated from world influences. Where world prices are high, the increase in local production has a limited influence on local prices, owing to the demand for what is produced. That there are limits to the possibility of further economy on the part of a large section of the community is, to my mind, indisputable. A living wage must be maintained if only as a condition of production, and apart from considerations of humanity. I am expressing here no opinion as to what that living wage should be. I merely desire to emphasize the limits to which economy can be prudently insisted on (or increased production be reasonably asked for), and the primary function of Industrial Courts as an organ of the community for promoting, as far as may be, an equitable distribution of the national income. I reserve to Part XII. the precise application of the need for economy as expressible in a present decision as to the amount of the living wage. . . .

73—FRANKLIN ASSOCIATION OF CHICAGO CASE (1922)¹

74—ARBITRATION—PACKING HOUSE INDUSTRIES (1920)²

Living wage calculations carried out by the budgetary method have, in the United States, usually resulted in a final computation of a wage considerably in excess of that being paid for unskilled labor in most industries, the excess depending largely, of course, upon the judgment of the computers of the needs that must be provided for in order to carry out the intention of the living wage principle. This is again the element of indefiniteness in the concept, already noted in preceding cases.

Therefore, when a living wage claim of this character is presented to a single industry it is apt to give rise immediately to a comparison with wages in other industries. The problem of applying the principle in single industries is somewhat different, therefore, from applying it to all industries at the same time.

The following extracts from two separate American cases in two different industries both illustrate this situation, and one view that may be taken of the matter. They bring up the question as to whether the principle is practicable unless applied throughout industry. The unions have always argued that the fact

¹ Arbitration *Franklin Association of Chicago vs. Franklin Union No. 4*—Chicago, March, 1922. pages 44-5.

² U.S. Administration for Adjustment of Labor Difficulties *Arising in Certain Packing House Industries—Arbitration. Findings and Awards December 7, 1920.* page 4.

that the living wage might be higher than that paid in other industries was not an obstacle to its adoption in particular industries; it was simply proof that the wages of the unskilled were below a satisfactory level throughout the whole field of industry.

73—FRANKLIN ASSOCIATION CASE

There were also certain claims advanced upon the part of the Unions, in which, after careful weighing of all facts and circumstances in the case, it seems impossible to acquiesce.

(1) The representatives of the Unions placed great emphasis upon the arguments regarding the family budget. It was maintained that in order to enable a workman to maintain a wife and three children under fourteen years of age, in decency, health and efficiency, in accordance with the American standard of living, the minimum wage should be established at \$2,445. This figure was arrived at after a careful study of family budgets, and assumes the husband to be the only wage earner in the family. It is represented as being the minimum amount necessary to maintain a proper standard of comfort. The Board does not entirely condemn this budget argument. It believes that this theory sets forth a splendid ideal for industry to achieve, in due time. But the simple fact is that according to the most reliable estimates, the total annual income produced in the United States, at the present time, is nowhere nearly large enough to provide such a wage for every adult male wage-earner. There is no indication that the printing industry is more profitable than industry in the United States, as a whole. Therefore, it seems to us that it would be unjustified and unfair to select the printing industry as the basis of experimentation, by the establishment of such a scale of wages. If wages were to be established on this basis for the members of Franklin Union No. 4, the same basis in fairness would necessarily have to be applied to all other employees of the printing industry, in Chicago. . .

74—PACKING HOUSE CASE

It is needless to restate here what has been said in previous awards on the subject of budgetary studies and their place in the intensely practical problem of wage fixing. Suffice to say, that until the industries far more generally conform themselves to such minimum wages as will, according to the budgets, afford the workers subsistence in reasonable comfort conformable to American standards of living (an amount now estimated by them at upwards of \$2000 per annum), I cannot, in my limited capacity as administrator for this one industry, impose upon it such an exceptional wage minimum, placing it in this respect in a class almost by itself. Nor indeed do these expert compilers and makers of living budgets, as a rule, advise that under existing conditions of industry I could properly do so. In the course of the hearing one noted economist said to me, "You ought to do it but you cannot"—truly an unenviably embarrassing situation for one charged with my duties.

75—DECLARATION—NEW SOUTH WALES BOARD OF TRADE (1919) ¹

The following extract is reprinted as fairly typical of the reasoning which has ordinarily been followed in assessing the living wage for female workers. This basis of computation has always been criticized, and a large general literature has grown up on the subject to which reference is made in the bibliography.

Living Wages for Adult Females

In the inquiry made by the court in 1913-14, into the cost of living of male employees, the worker of the humblest class was taken, and the reasons for doing that in the case of males all apply to females also . . .

We have therefore to take the humblest class of adult female worker—the humblest *Class*, not the humblest *Individual* . . .

The next point is whether we should take the workers who live at home with their parents, or those who live away from home in lodgings or a rented room. The great majority live with their parents, and these should receive a wage which will relieve their parents of the whole expense of their keep, but not necessarily one which will give their parents a profit. Those who live away from the parents will probably have to pay more for their keep than the home expenses would amount to. We have come to the conclusion that, though this class is in a very decided minority, it is, nevertheless, the class whose cost of living we must investigate.

Next, should we consider the female worker as having any greater responsibility than that of simply supporting herself? We have no doubt that in fact she often does help her parents and her brothers and sisters, indeed it must sometimes happen that a widowed mother or an invalid husband has to keep her young children. Should these cases be taken into consideration? We do not think they can. They are exceptional. We do not lower the male living wage for bachelors, or raise it for men with large families, and similarly we cannot lower it for the woman who lives at home, or raise it for the one who has to keep her husband.

The problem, therefore, comes down to this: what minimum wage should be provided to cover the cost of living of the adult female worker of the poorest class maintaining herself, but having no other responsibility, and living away from home in lodgings . . .

76—SOUTH AUSTRALIAN INDUSTRIAL COURT—THE LIVING WAGE (PRINTING TRADES) CASE 1920 ²

In practically every dispute concerning the soundness of the "living wage" principle as applied to adult male labor, various

¹ Declaration New South Wales Board of Trade New South Wales Government Gazette, February 7, 1919.

² The Living Wage (Printing Trades) Case. Decision No. 13 (1920). South Australian Industrial Reports Vol. 3 pages 251-9

questions arise as to *the method and basis of computation* of the living wage. These ordinarily and in the main reduce themselves to two.—1) Should the living wage be computed on the supposition that the male worker has a family dependent upon his earnings, and if so what size family should be assumed? This usually brings up the further question of whether it is practicable and sound to make different computations for married and single men. 2) Whether the budget method of computation of living costs is sound.

Both these questions involve many difficulties both of logic and statistics. It is the first of them that is considered in this case. The decision reprinted must not be considered as exhaustive of the subject. That involves such a variety of matters open to argument, to argument often of a definitely technical character that it is impossible to give in a collection of this sort, adequate presentation to all opinions concerning all points involved. To do so would require the space of half the book. The decision does bring under discussion all the main aspects of the question and in that respect (even if not in regard to the conclusions reached) may be taken as representative of the rest.

The reasoning of the decision, of course, deals with a particular set of facts, those brought before the Court for consideration—Australian facts, so it happens. The reader must beware lest his thinking on the whole general question of computation should be governed by this particular set of facts

It may be observed incidentally that the difficulties explained in this case, of arriving at an exact and satisfactory solution, has given rise to the proposal that the living wage should make no allowance for dependent children, but should be supplemented by "family allowances" granted to each individual wage earner according to size of family. This principle, indeed, has actually been adopted in some Australian states and elsewhere¹

¹ The following letter written by E M D Marvin and reprinted from the London Times of August 14, 1923, is a succinct history of recent tendencies in this direction in Australia

"Sir.—The experience of Australia has been often quoted in recent discussions upon the desirability of grading wages according to family burdens. The comparative simplicity of their problems, as well as their prompt and valorous way of handling them, often shed light upon our more complicated situation. May I refer to one chapter of their experiments in wage regulation to emphasize the importance of Miss Rathbone's contention, in your issue of July 5, that the time has come when we must think out more thoroughly the fundamental principles of our wage system?

"It is possible to trace how the needs of the family of four or five came to be accepted, in the Antipodes, as the basis for the wage of all adult men, and to see the

The Adult Male Wage

Should the adult male living wage be estimated with regard to the possibility that the employee may have a family? If so, what number of dependent children?

On behalf of the respondents, Mr. Parsons stressed the statutory definition of the living wage as "a wage sufficient for the normal and reasonable needs of the average employee" "Who," he asked, "is the average employee?" He contended that, in the absence of other evidence, it was necessary to answer the question by reference to the Commonwealth cen-

consequences that have ensued from the adoption of this basis. This situation has been governed by the decision of the Court of Industrial Arbitration in the Sunlight Harvester Case (*In re McKay*). By the Excise Tariff Act 1906, the Commonwealth Parliament imposed certain Excise duties on agricultural implements, but the Act was not to apply to goods manufactured in Australia except under conditions as to the remuneration of labour which was declared by the President of the Court of Industrial Arbitration to be fair and reasonable. Mr. Justice Higgins, the President of this Court accordingly found himself called upon to determine the meaning of the terms "fair" and "reasonable" as applied to wages. It is to be noted that he protested strongly against the settlement of grave and controversial social and economic problems committed to a Judge when they should properly have been determined by the Legislature. "I do not protest against the difficulty of the problem, but against the confusion of function—against the failure to define the shunting of legislative responsibility." In defining the conditions that a fair and reasonable wage must fulfil, he mentioned in passing that a man must be considered as having a family of about five to support.

"Henceforth this was accepted throughout Australia as the typical family, and the wages of all men were calculated upon the basis of having to support such a family except in New South Wales, where, in 1918, Mr Justice Heydon, President of the Board of Trade, when determining the living wage for New South Wales, decided to take man, wife, and two children as the basis. In the report of the Select Committee on the financial provisions of the Maintenance of Children Bill we are told how he arrived at this decision. He took, said the statistical officer of the Board of Trade, the average family of the adult married male between 21 and 60. This being something less than two, he took two for safety, and on that basis fixed the wage not of adult married males, but of all adult male employees, a very different matter, as it proved that 40 per cent of adult male employees were unmarried, and of the 60 per cent married 20 per cent had no dependent children.

"In 1919 the Commonwealth Government appointed a Royal Commission to inquire into the cost of living in relation to the basic wage. Curiously—in spite of the work which was being done by New South Wales in regard to their Maintenance of Children Bill—the family of five was taken for granted in the terms of reference, and suggestions as to its modification were therefore outside the scope of the Commission. They found the cost of living on the old basis to necessitate a wage of 5 pounds 16 shillings. Mr Hughes rejected this as impossible, and at his request the chairman of the Commission wrote a memorandum on the true incidence of the cost of living, which points out the advantages of a wage graded according to the size of the family. He pointed out that the industries of the Commonwealth were paying the cost of 3,000,000 children (i.e., three children for each of 1,000,000 employees). In point of fact the children of employees number 900,000. Thus the industries pay for 2,100,000 non-existent children. Yet in spite of this wasteful payment on children, all families with more than three children had, in fact, less than a living wage. Parliament rejected a motion to give effect to the findings of the Commission by accepting 5 pounds 16 shillings as the living wage of employees of the Commonwealth, and requested the Government to arrange for an amount to be paid to them just alike to employees and to the general public. Accordingly, in November 1920 the basic wage for Commonwealth employees became 4 pounds, with an allowance of 5 shillings a week (which can hardly represent a living allowance) in respect of each dependent child under 14.

"Thus is Australia being driven back upon the necessity of defining the living wage in such a way that it shall represent, not a rough approximation to family needs, but an equivalent for the actual needs of individual families. It is possible that experiment was at first the wisest method of procedure in regard to this matter, both here and in Australia, but are we not now in a position, by the light of experience, to attempt, as Australia is doing, closer adjustment of means to ends?"

sus of 1911 According to that census, there were in the Commonwealth 510,343 husbands between the ages of twenty and forty-nine, who had between them 1,002,510 issue. Resultant issue per husband, 1.96 According to the same census, there were in the Commonwealth 498,293 single men between the ages of twenty and forty-nine, and 528,739 married, widowed, and divorced between the ages of twenty and forty-nine, making a total of 1,027,032. Mr Parsons proceeded to argue that the average issue under fourteen years per male between twenty and forty-nine years was $1.96 \times \frac{528,739}{1,027,032} = 1.00$ From the foregoing, Mr Parsons drew the con-

clusion that the previous decisions of this Court relative to the living wage (decisions which had been delivered without evidence having been tendered or argument adduced on the lines indicated) were erroneous The Act, he said, did not speak of the average employee with a family, but average employee, *simpliciter* The problem before the Court was to provide, not for the average single employee, or for the average married employee, but for both The object of the Act was to ensure that industry should provide a fund for the normal and reasonable needs of the average employee so ascertained

If, as appeared to have been done in previous cases, the Court took a family of five as the measure of the normal and reasonable needs when estimating the living wage, the result, in terms of the population of Australia as a whole, would be to provide for over 1,000,000 children who did not exist True, the "typical family" of the economists might include five persons, or more or less But the duty of the Court was to interpret the statutory law of this State In any case, the "typical family" of the economist implied an exclusive reference to married men, and also, as regards married men, an exclusive reference to data which might or might not exist in Australia

From a practical point of view, Mr Parsons argued that the result of assuming the existence of a family of five, when assessing the living wage, was to impose an unjust burden on industry, to subsidise the single men at the expense of married men (since the latter had to pay prices largely determined by wages), to prejudice the skilled at the expense of the unskilled workers (since an unfair appropriation of wages to the unskilled meant a corresponding retrenchment of the just claims of the skilled), and, in general, to create a false and extravagant standard of living amongst a large section of the community

With regard to the argument which Mr Parsons urged with so much cogency, I think it desirable at once to state that my own Judgment in 1918 did assume the existence of a man, wife, and three children It is superfluous to add that it is the duty of the Court to review its own precedents when those precedents are challenged on adequate evidence and argument Those grounds, so far as concerns the subject under immediate review, admit of brief statement —

- (1) The "average employee," if not a family man, may become so, with either the actual or the potential liability of children to support.
- (2) The word "average" in the statute is designed to distinguish

classes from individuals. One individual employee may have half a dozen children under 14 years of age, while another may have none, or may not even be married.

(3) In the absence of evidence to the contrary, the existence of three children is a reasonable assumption for practical working purposes.

These grounds are now challenged for reasons stated . . .

The view of the law taken by the learned counsel for the respondents is open to some preliminary objections—

(1) The "average employee" of the Commonwealth or State, as suggested by counsel, is undiscoverable and non-existent. Indeed, it was expressly stated that it was impossible to say that the "average employee" was either married or single. Further, as by statute the living wage must have reference "to the average employee in the locality," and as there are varying rates of fecundity in different localities, it would appear to follow that the Court could not even embark on the process of ascertaining the living wage without first taking a census of the particular locality affected.

(2) The suggested interpretation of the statutory law implies the possibility, and even the duty, of making provision for fractional humanity—to be precise, 49 of a wife, plus one child. A calculation on such a basis, though mathematically possible, could only be of practical service in a community of marital communism, or in a community where the unskilled workers were excluded from the privileges, or exempt from the responsibilities, of family life. It is difficult to conceive that the Legislature intended such conclusions when it passed the Act of 1912, which includes the section relating to the living wage.

(3) The living wage for the present day, proceeding on the basis of learned counsel's interpretation, would be 6s 7d per day—a lower bed-rock wage than existed in this State in pre-war times, or than has ever been awarded by the Industrial Court, or by the Court of Industrial Appeals which was constituted under the Act of 1907.

This brings me to what I conceive to be the fundamental fallacy of learned counsel's suggested interpretation. In his conception of the meaning of the words "normal and reasonable needs of the average employee in the locality" he isolates the conception in point of view of *time* as well as *place*. The isolation is justified to the extent that, since the cost of living may vary from year to year, no attempt should be made to fix a definite sum as a living wage for all time. But Mr Parsons goes further in his isolation, since he limits the interpretation of the terms cited to the moment when the decision is given. I have already shown that such interpretation leads to strange anomalies, and challenges certain well recognised canons of statutory interpretation. I am now concerned to show that the isolation is even contrary to a common sense interpretation of the language of the statute. Statistically, the "average employee" may be single or married (fractionally), and if married may have *X* posterity. In actual fact, the "average employee" can only be conceived as a man either married or likely to be married, and either having children, or likely to have children. If the living wage is to meet the normal and

reasonable needs of the average employee it must be fixed at a sum sufficiently large to cover marital contingencies. The term "average employee" cannot be segregated. It must be regarded in its context. In practical effect, the Court has to deal with a compound expression "normal-and-reasonable-needs-of-the-average-employee." It seems to me futile to argue that adequate provision is made for the average employee unless the standard of adequate provision is such as will carry the employee through the period when he most needs protection. The average employee passes through that period, and it seems to border on a grim jest to say that at such period he can only be awarded a wage adequate for half a wife and one child, because, taking the whole of the adult males existing at that particular moment of time, the result of averaging them up would lead to the conclusion suggested by counsel. The precise significance of the term "average employee" is that it precludes the Court from allowing for more than average parental responsibility. Exactly what this means, as regards the number of children, I shall consider later.

I have said enough to show my inability to acquiesce in counsel's argument as submitted to the Court. But that argument may have nevertheless a partial validity, for example, as to the size of the family to be considered when estimating the living wage. Before considering whether this be so, I desire to refer to certain dicta in previous cases. In *The Printing Trades Case* (2 S.A.I.R. 31, at p. 35) in discussing the wage for women, I remarked that the argument that the wage for men is a *personal* and not a *family* wage leads to the conclusion that marriage is a calamity, which, like sickness, disease, or sudden death, may happen to any man! I proceeded—"I am quite unable to accept the learned counsel's argument. I look upon the maintenance of home life as of supreme importance to the community. I regard the wage paid to the adult male as essentially and in substance a family wage. True, so far as single men are concerned, it has long been settled in this State that the minimum (living) wage should not be less than that of the married man. In other words, in discussing the needs of the male worker, a man with a family to support has been taken as the basis of assessment. Any other conclusion would prejudice the married man in search of employment, and would tend to produce sterility of the population, and would place the Industrial Court in the invidious position of fixing wages at a rate which would make it difficult, if not impossible, for single men to save something for the time when they may have the felicity to become supporters of a family." In the same case, at p. 40, I said—"That duty of men to maintain their homes is a part of the traditional organisation of society . . . It is for the High Court of Parliament to assume the responsibility of sanctioning social revolutions, such, for example, as (a) authorising women of a certain income to have children without incurring the responsibility of marital life; (b) releasing men from the responsibility of maintaining the home; (c) State endowment of motherhood, &c."

In the *Women's Living Wage (Cardboard Box Makers) Case* (*supra* p. 11), which also deals with the living wage for women, I differentiated between the needs of the adult woman worker and the adult male worker. I said, at p. 16:—"The family living wage is assessed on the

assumptions that the husband requires no 'skill,' and that the general conditions of the industry in which he works are such that no conclusive ground can be alleged for fixing a primary minimum which is higher than the bed-rock wage. But the Court has to assume, for practical and quite irresistible reasons, that the man *may* have children. He may have none. He may have six under fourteen years of age. The Industrial Court cannot base its calculations on the abnormal. As a matter of fact, this Court proceeds on the assumption that the wage-earner will, or may have, three children under 14 years of age." On p. 21 of the same Judgment, when dealing with the claim for women of 4s. per week as a *provision for marriage* I said:—"The single man already, under the living wage declaration of this Court, receives the family wage, a wage which allows him ample scope for providing for a future home. It is difficult to see how the Court can consistently allow the claim twice over. It is true that as regards a single man, one reason for awarding him a family wage is the danger lest the married man should be under-bid in the competition for employment; but I have on several occasions insisted that the claim of the single man to a family wage also rests upon his imperative duty to save for a future home. That being so, the Court must act on the supposition that the man does save for the purpose indicated. The traditional organisation of society, as well as the law of the land, expressly or implicitly places the obligation upon him to do so. The whole spirit of the Anglo-Saxon race supports the view that the woman should be supported by the man. If I might venture beyond my province, I would say that if a single man is incapable of making adequate preparation for home life, the women would do well to beware of him!"

The preceding argument leads to the conclusion that a living wage must be estimated on the supposition that an employee has, or may have, a wife and at least one child to support. The adult male wage is a family wage. There are very obvious reasons, however, why I should now consider whether this Court, in assuming three children, has given due significance to the proper meaning and intent of the statutory definition. In other words, whether counsel's argument has a partial validity, and if so, to what precise extent. In the course of his argument for the appellants, Mr. Hunkin referred to the Commonwealth Year Book, No. 12, p. 167, where a table on the duration of marriage, and the issue of mothers of all ages in the Commonwealth in 1918, shows that the average number of children is 3.34 for the Commonwealth. He cited also p. 168 as to the duration between confinements. The exact quotation is as follows:—"The table shows a fairly regular increase in the number of children up to the period where the marriage has lasted twenty years, and it appears that *the average interval between the successive confinements up to that period was rather more than two years and eight months.* The average number of children of all marriages was 3.34, the corresponding figures for 1917 having been 3.29; for 1916, 3.29; for 1915, 3.26; for 1914, 3.22." Mr. Hunkin said, "If a man has been married eight years, and assuming that his first child is born within twelve months, by the time he has been married eight years, if there has been the average issue, and the average period between confinements of the mother, he will be

supporting three children, and will be supporting them totally, until the first child is 14 years of age. . . . The man that the Court must consider is the man who has a family, and has to rear the family, and make decent citizens of them, and provide the industries of the State with the necessary labor in the years to come. Their support, considering they are necessary for production, is a fair charge on industry."

In considering this contention, the following observations seem pertinent.—

(1) The New South Wales Board of Trade, in its analysis of the average family on the basis of the 1911 census, extracts some interesting tables, and proceeds—"The tables illustrate the result with regard to the size of the average family stated above to the effect, *inter alia*, that the average size of the family under 14, and even under 15, of the industrial class did not exceed two in the year 1911." The declaration of the Board as to the living wage was accordingly based on the assumption of there being two children. There is some difficulty in adjusting the relation between the tables selected and the results already quoted from the Commonwealth Year Book, No 12. I shall return to the subject later . . .

(3) There is a danger of exaggerating the difference between the family wage on the two-child basis and the family wage on the three-child basis. I have already referred to the element of flexibility in the living wage, and the necessity of allowing a working margin to meet increases in the cost of living reasonably anticipatable as a result of increasing a pre-existing estimate of the living wage. But even apart from such considerations, many items of the living wage are not affected by the birth of an additional child, or at any rate not affected seriously, for example, house rent, fuel, light, and expenditure on many of the minor miscellaneous items which contribute to constitute the living wage. I am here challenging the contention that, in awarding a family wage, an adult should count as one unit, and each child as half a unit. It cannot be seriously contended that the addition of successive children increases the cost of living for the family in precisely the same arithmetical ratio.

(4) The custom of Australian Industrial Courts generally is, so far as I am aware, to allow for three children. I have already referred to the New South Wales Board of Trade reduction to two. It appears to me that the Board, subject to the qualification that its tables deal with the average family, is guilty of that isolation in point of time which, as I have pointed out, is the root fallacy in Mr Parsons' argument. This is illustrated by comparing the tables already cited as to the issue of mothers of all ages in the Commonwealth in 1918—an average of 3.34. The latter table is presumably based on the birth rate. Making allowance, *inter alia*, for the fact of the inclusion of figures for rural districts, where the birth rate is relatively high, and making allowance also for infant mortality, the 3.34 would very likely be reduced to three, or something between two and three dependent children for a metropolitan area. Since the conclusion of the hearing, the Commonwealth Statistician has published bulletin No 79. On referring to that bulletin, I find, at pp. 78-9, an analysis of the average number of children under 21, based on 1911 census. According to the analysis, a married male at 40, on the average, has 2.633 children.

under 14 years of age For practical purposes this result must be taken as equivalent to three The point to be insisted on is that the normal and reasonable needs of the average employee must embrace an allowance for a larger percentage of children at some time or other than is arrived at by the simple arithmetical process of taking all the males of the Commonwealth, or even of taking the average husband. I do not see how it is practicable to take the married males, and then to pool the number of children, as if there were a communal contribution towards the maintenance of such children The average male employee in Australia is a person who, at some time or other, will support the average maximum of three children The Industrial Court of this State cannot provide for "the normal and average needs of the average employee" without taking into consideration that such employee will have, at some time or other, average parental responsibility

(7) When one is considering the size of the family which can justly be allowed for, I think it not wholly irrelevant to consider the methods and statistics of other countries I quite agree with Mr Parsons in his contention that such methods and statistics have only a relative value for Australia, but I think they have *some* value In the *Labor Gazette*, published and edited by the Ministry of Labor, London, for February, 1920, I may quote certain extracts to which Mr Hunkin drew my attention —Rome—"The basis of computation is the cost of satisfying the requirements of a working-class family consisting of two adults and three children" Milan—"A family consisting of five persons" Canada—"A family of five" I should attach little or no importance to the above mentioned data but for the fact that they accord with available statistical data for Australia

(8) Even a living wage for a family of five imposes hardship on the man with a large family, at any rate until the eldest child has reached the age of 14 In view of the imperative need for population in Australia, this discouragement of the large family is a matter for very great regret, and, if I may venture to say so, for legislative consideration. In view of the language of the Act of 1912, however, I do not see how the hardship can be overcome in any prudent way by this Court

I arrive then at the general conclusion that, both in law and in common sense, the living wage should be such as to support a family of five It may seem dramatic and effective to exclaim that such an allowance provides for hundreds of thousands of non-existent children The effective answer, however, is that it is better for an allowance to be made for children who are non-existent than that no allowance should be made for children who are, or will be, existent Indeed, the natural result of applying Mr Parsons' arithmetical calculation with regard to the living wage would be not merely the malnutrition of children born, but the murder of the unborn It may well be that, as the communists of to-day argue, the material resources of the community should be pooled But if they are to be pooled, wholly or partly, that can only be done by legislative action Doubtless the scheme proposed by the Employers' Federation of New South Wales for the purpose of evening out the responsibility for the maintenance of child life has much to be said in its favor This Court

cannot deal with the subject. It must proceed on a basis of common sense and equity, doing the best with the means at its disposal. . . .

77—REPORT—BOARD OF INDUSTRY—SOUTH AUSTRALIA (1922)¹

78—SOUTH AUSTRALIAN INDUSTRIAL COURT—CASTLE
SALT COMPANY CASE (1916)²

If the "living wage" principle is adopted in any country or industrial area as a basic principle *for all industries*, two difficulties must be solved. 1) In calculating the living wage level with due regard for the industrial and profit situation, it is to be expected that some industries will be found in a better position than others. There is likely to be pressure from the workers to establish the living wage at a level that could only be borne well by the exceptionally profitable industries; and on the other hand employers are likely to press for a wage adapted to the situation of the more unprofitable industries. A most difficult task of judgment is involved in establishing the level. 2) If the wage is established with the average situation in mind, thought must be given to those industries which are more unfavorably placed—"struggling industries" they are sometimes called.

The two decisions printed below illustrate the policy that has been adopted by one of the Australian industrial courts in its consideration of these matters. The fact that the "living wage" has to be adapted to the industrial situation of many different industries has been one of the chief reasons for the tendency to leave the assessment of this wage to wage boards established in each industry—rather than to set one common basic wage for all industries. For wage boards can adapt the "living wage" assessment to the condition of each individual industry. Such has been the practice under the Trades Boards Act in Great Britain, for example. The "living wage" legislation passed by American states has tended to follow this practice. The effort has been made in recent years in the Australian states to have the living wage assessment made by the wage boards of each industry, rather than have the matter settled for all industries by the industrial courts.

¹ Bulletin No. 2. Report of Board of Industry—South Australia, (1922).

² Castle Salt Co., Operative Company Limited and others *vs.* Australian Workers Union and Others. South Australian Industrial Reports, Vol. 1. (1916-18). pages 3-5.

77—REPORT OF BOARD OF INDUSTRY—SOUTH AUSTRALIA

II. Struggling Industries

It should be apparent that the possible wage in a struggling industry ought not to be taken as the measure of the nominal Basic Wage for industry generally. Even when wages, primary or secondary, are fixed in a particular industry, the usage of Industrial Courts has been to rule out of consideration the exceptionally profitable and the exceptionally unprofitable business concern. The same principle applies as between different industries, and deserved expression because of an apparently widespread belief amongst employees that there exists a desire amongst some employers to take the struggling industry as the type which might properly be adopted for the purpose of wage fixation by a public tribunal. If such a desire should be shown to exist in fact, its folly would admit of easy exposure —

(a) In struggling industries it has been the custom of the State Industrial Court to bring the parties together in order that they may discuss, all the cards being freely placed on the table, whether it is desirable to carry on for the time being, and, if so, the question of ways and means by agreement of parties without formal direction or award by the Court. Parties who arrive at a *modus vivendi* can file an Industrial Agreement in the Industrial Court. A comparable policy has been affirmed in recent decisions of the Commonwealth Court of Conciliation and Arbitration.

(b) In industry generally the need for precluding unfair competition between employers by means of sweated labor or unjust conditions of employment should be too obvious for insistence. The frequently reiterated policy of the State Industrial Court can be inferred from a series of precedents, and may be indicated in brief as follows:—

(1) To guard against unjust conditions of employment which, though possibly profitable to individuals, would be inimical in the long run to the interests of employers, employees, and the national welfare.

(2) To promote social justice in the distribution of the results of national production.

(3) To leave employers and employees in any particular business concern as free as possible to co-operate in the pursuance of common interests. Thus in the *Trading Banks Case* (4 S.A.I.R. 181, at p. 210) it is said that there has been a general failure to recognise that Industrial Courts, adjudicating for an industry, must necessarily leave a large field within which the better conducted business can operate to the great advantage of all concerned, and that the most apparent and urgent duty of such Courts is to frame Awards in such a way as to encourage particular enterprises to build a super-structure, expressive of the spirit of mutual aid in industry, upon the foundation which the Court lays down.

The Board feels entitled to assume the continued observance of principles affirmed in various cases by the Industrial Court. It may be that in a particular industry (or business) a much higher wage is possible, or that a lower wage is inevitable if the industry is to survive, than the Board would feel justified in declaring a Living Wage. Neither alternative

should, in the view of the Board, affect its estimate of the Living Wage. In this connection, the Board desires to refer to an authoritative estimate that in September, 1921, 300,000,000 of the European peoples possessed purchasing power of about 30 per cent pre-war. The result on the marketing of many manufactured products must be obvious. There has been a frenzied competition for markets between manufacturing countries such as the United States of America, Great Britain, France, Belgium, and Germany. Certain Australian industries, despite the tariff, must inevitably pass through a period of depression or inaction until European credits are established on a less unfavorable basis than has existed, unless the anti-dumping provisions of the Commonwealth Legislature are put into operation. Certain local industries which depend on export values could only be saved by subsidy in one form or another as is being done in Germany. Meanwhile, so far as industry in general in the Metropolitan Area is concerned, it would be just as irrational to attempt wage fixation by reference to exceptionally unprosperous industries or businesses. An indulgence in the very common disposition to argue from the particular to the general, though it may serve party purposes as at a political election, would ill-become an administrative department of the Government.

78—THE CASTLE SALT CASE

Mr. Justice Gordon in a judgment delivered in the Court of Industrial Appeals, on December 9, 1908, *THE BRUSHMAKERS' CASE*, stated that if any particular industry cannot afford to pay a living wage it must shut down. In various decisions in other states, and in the Commonwealth Arbitration Court, this dictum has been quoted and approved. While accepting the dictum in the sense in which I understand it, I wish to point out that it apparently throws on the President of the Industrial Court a responsibility which is really not his. The President is bound by law to award not less than a living wage. If the wage is higher than has been previously fixed, the excess may come out of the profits of the employer. But if it should so happen that the excess cannot be paid out of the profits, there are other sources to be drawn on. There is the possibility of increased economy or increased efficiency in the conduct of the business concerned. There is the possibility that an increased output on the part of employees may enable the employers to avoid shutting down. A great deal of evidence might be adduced to show that in Australia the sources to which I have referred as available for paying higher wages—increased economy or efficiency of business organization, and an increased output on the part of the worker—are sources from which, under the stimulus of necessity, much more might be drawn than at present. I do not speak of *all* industries, but my remark is fairly applicable to a large number. On the one hand, the employer has to recognize his responsibility to adopt the most efficient methods, the best marketing, and the form of organization adapted to secure the best results in his particular industry. Such an organization may involve the enlargement of the business unit, or the adoption of such schemes as co-partnership or profit sharing. Certainly there is involved the responsibility of the State to provide such means as may

increase the business efficiency of the community as a whole . . I dwell upon these things, because I wish to show, that if this Court, in declaring a living wage, declares a wage which apparently cannot be paid by the industry concerned, the Court is not necessarily shutting down an industry. In a number of cases which have come before Australian industrial tribunals, the argument has been brought forward that a particular industry or business would be forced to suspend operation if wages were raised and yet the industry or business has been continued despite increased wages and is today paying reasonable dividends Whether the result be due to the potential economy of high wages, or to the fact that employers have discovered that necessity is the mother of invention, or to other circumstances, I need not pause to consider The fact is indisputable.

But there does remain the possibility that neither ingenuity nor industry, on the part of the employer or employee, will reconcile an increased wage with the continuance of an industry I have to face this possibility. In doing so I have to distinguish between industries according as they are mainly dependent on a foreign or a local market. The former case is the more difficult, since the employer cannot share the increased cost of production with the consumer With regard to such industries, this Court has to make an award of not less than a living wage whatever the consequences may be The Court has no discretion in the matter Its duty is expressly and imperatively defined by the legislature But the shutting down of the industry would not necessarily follow I have already referred to the possibility of Governmental action in relation to the promotion of industrial efficiency But, in addition, where it is to the general interest of the community that the industry should be carried on, and it cannot be carried on at a living wage, a responsibility rests on State or Federal Governments to subsidise the industry either by bounty, or by promoting facilities of transport and marketing, etc, etc, If Governments do not accept this responsibility, that is not the fault of this Court With regard to the industries which depend mainly on the Australian market, the problem is more simple A charge may be made on the consumer This again involves the responsibility of Legislative or Executive organs It is for these organs to adjust the import duty where necessary It is also for them to see that any increased burden laid on the consumer is not unfair . .

CHAPTER IV

"COST OF LIVING" AND "CONDITION OF BUSINESS" PRINCIPLES AS APPLIED IN UPWARD WAGE ADJUSTMENTS

If demands for wage increases are examined (and those which are put forward on the principles discussed in the preceding chapters are left aside) it will be found that they are usually defended by some variation of one or more of four statements of principle, 1) that prices and the cost of living have been increasing, 2) that the economic situation of the particular industry concerned, or (and) of industry in general makes the wage increase just and possible, 3) that by comparison with wages paid in outside industries and occupations the increase is just and necessary, 4) that the increase is justified by increased production.

All consideration of the third and fourth of these principles and the problems raised by them will be postponed until subsequent chapters (Chapters VI-VII). This chapter is devoted to a presentation of the first two of these principles as they appear in situations where wage increases are in question.

Some explanation of the reasons for this arrangement may help to clarify this exposition of principle. The reason for presenting the two principles in the same chapter is that they so often appear together in wage controversies; they are closely associated together in practice, no matter how clearly they may be distinguished as theoretical principles. The cases to follow will illustrate that fact. Furthermore, there is reason for believing that they are more satisfactory in combination than either principle is by itself; that, of course, is a matter of opinion that every student of the subject should settle for himself. The reason for limiting this chapter to situations in which there is a question of upward wage adjustment, and for putting situations of the opposite character in the following chapter, is of another kind. Summarily stated, it is because in my judgment, periods of upward price movements present different problems of general economic policy and of wage policy than do periods of downward price movements. It may be desirable, therefore, to

apply the two principles of "cost of living" and "condition of business" somewhat differently in the two periods; there is at least a body of opinion which tends to support that view. The object of putting the two types of situations in separate chapters was to give clear representation to the fact that the problems of policy presented may be somewhat different; and that as a consequence it might be just and sound to use different principles of wage settlement in the two periods, or to use the same principles differently. This arrangement is calculated to put this possibility clearly before the reader's judgment.

The reason why the two principles presented for study in this chapter are so closely associated in practice, is simple. The principle that wages should be adjusted in accordance with changes in the cost of living is like the "living wage" principle itself, an ethical or semi-ethical principle. It is a claim that "real wages" should not be allowed to diminish, no matter how prices change, because the needs of the workers do not diminish. Like the "living wage" principle it is defended as economically practicable besides; and in practically all wage controversies in which this principle appears, the economic problems it raises are taken into account. The one economic problem that is inevitably brought to the fore, is whether the condition of the industry concerned and (or) of industry in general is such as to make possible and advisable the ethical claim. In most controversies over wage increases which arise during periods of price increases, we find the two matters considered in conjunction with each other—the change in the cost of living, the condition of industry. The economic situation may show that the adjustment in accordance with the change in the cost of living can be safely and well undertaken; it may show, indeed, that even a larger increase can be well justified; on the other hand it may throw that step in doubt or prove it to be inadvisable.

It should be made clear at this point that the purely economic principle of adjustment with reference to changes in the condition of industry may be used without any reference at all to changes in the cost of living; it is as applicable when the price level is stationary as when the price level is changing—and no more so.

The two principles of adjustment presented in this chapter will not always lead to the same conclusions as to policy during

periods of increase in the cost of living. Whether they do or not will largely depend upon the basic causes of the price increase, and intelligent handling of wage disputes during any such period requires a careful analysis of the causes of the price change. It is impossible in this introduction to attempt an analysis of the large variety of forces which cause price change, or of the economic situations usually resulting. For such an analysis the references to general literature given in the bibliography should be consulted. Suffice it to say that the causes of the increase in the cost of living may not always be such, in my opinion, as to produce an economic situation in which it is sound policy to adjust wages to the rise of prices. If the cause of the increase in the cost of living should be clearly due, for example, to a very definite decrease in production, it may be futile to merely follow the policy of adjusting wages to the cost of living. On the other hand there is usually a presumption to the effect that it is sound and advisable to adjust wages upward during the periods of increasing cost of living *especially if the general price level of all important goods produced in industry is also increasing*.¹ For there is usually a presumption that during periods of rising cost of living, the money incomes of industry are also increasing, and that therefore higher wages can be paid. Furthermore, the protection of existing standards of living is a matter of great concern, only to be put into second place for definitely established reasons of necessity.

The task of deciding whether the condition of industry is such as to make advisable a wage adjustment based upon the cost of living principle, or lesser or greater adjustments, is one which calls for a judgment not only of all pertinent facts on the causes of the price increase and the condition of industry—but also for a judgment upon the elasticity of industrial arrangements. For the “cost of living” principle like the “living wage” principle, as used by the workers and supported by their bargaining power, represents a dynamic resolution, a resolution that real wages be maintained though it is necessary to effect changes in production and reduce other incomes. It has the economic force of the

¹ It is the editor's opinion that for purposes of wage adjustment during periods of price change a better index than the ordinary index of the cost of living can be constructed; that index should be a composite index of all the wholesale prices of all important commodities produced within the community, and the retail prices of commodities and services entering into the cost of living budget—the latter being given perhaps 50 per cent weight in the total.

workers' support behind it, and in this sense is a genuine factor in the disputed situation. The soundest decision is one based on a correct judgment of what wage increases can be granted to protect the workers' standards of living, considering all pertinent economic facts and possibilities; it strives to achieve a generous yet safe balance between social purposes and limiting conditions.

The cases in this chapter are arranged so as to bring before the reader first of all illustrative cases in which the cost of living principle is the primary basis of the claim, and is the dominant principle followed in the decision. Then the following cases will show how economic considerations come to the front in most controversies during periods of price increase, and how the "cost of living" principle may be set aside in favor of one dealing solely with the condition of industry. Then at the end of the chapter some illustrations are given of the joint use of these two principles based upon explicit understanding. This arrangement is an effort to throw light on these two principles, both as alternatives, and in combination with each other.

Special questions arise in the application of both principles. It is sometimes argued that although the "cost of living" principle is just, it is futile, for it is said that the wage increases granted will merely cause further price increases, and thus defeat their own object. This matter, a complete discussion of which would carry us far into the theories of prices and of distribution, is presented in several cases (Cases No 82 and 83), and references are given in the bibliography to enable the reader to pursue it

The principle of adjustment according to the principle of "condition of industry" may at first glance appear simple but in fact presents several perplexities. The essence of the idea, it is true, is plain. The condition of business, it is presumed, indicates whether business should and can pay higher wages—and that for two reasons. First, it is presumed that if and when business conditions and the business outlook is good, profits and other incomes are likely to be high and on the increase. Therefore business should be able to pay higher wages. When the opposite conditions prevail, the contrary conclusion is reached. Second, it is presumed that the state of business is an index to the conditions of employment. When business conditions are favor-

able it is presumed that workers can find employment easily, and that their value to the productive system is relatively high; these conditions are taken to favor wage increase. The opposite conditions are made the basis of opposite conclusions.

Thus stated the principle appears easy to apply. But experience has revealed serious difficulties. First of all there is the question whether in any particular wage controversy, account should be taken solely of conditions in the industry concerned, or of business conditions in general. There may be serious divergencies between the condition of business in general and the condition of particular industries, and according as to one or the other is taken into account the conclusions reached may diverge greatly. This problem is presented in several of the following cases, but not adequately.

The summary opinion may be put forward, that if the principle is used both general business conditions and the state of the particular industry should be given weight, but that the latter should be given primary consideration. The study of general business conditions would serve as a necessary check and correction upon any conclusions reached on the basis of conditions in the particular industry. For if on the one hand, the particular industry concerned is in a much poorer condition than most others, caution should be used in increasing wages; while if its condition is better than most others, more than ordinary advances may be undertaken. Consideration of the factors governing relative wage movements in different industries seems to me to support this conclusion. This question is brought up again and considered somewhat more fully in the introduction to Chapter V.

Attention should be called to still another problem of policy. When considering the "condition of business" should note be taken only of present conditions, or should thought be given also to conditions in the recent past and the outlook in the immediate future? A moment's thought will make clear that even in industry the present is fleeting. There are reasons to hesitate over adjusting future wages to past events, but there may be sound reasons for doing so. The future is not easily forecast. The choice involves questions both of equity and business judgment—it is doubtful whether any general rule will apply satisfactorily to all cases. The question is one of constant practical importance and

should be seriously analyzed in any attempt to formulate wage policy.

These are but a few of the difficulties which have faced judges and arbitrators who were trying to judge the condition of a particular industry or of all industry. The great complexity of present-day financial operations of industry, the intricacies of corporation bookkeeping, the rapid fluctuation of business conditions, all these and many other characteristics of modern industry make judgment most difficult, as even the few cases given in this chapter show.

79—BRITISH INDUSTRIAL COURT—METROPOLITAN WATER BOARD CASE (1921)¹

This is an illustration of an agreement for wage settlement, based upon the "cost of living" principle.

1. There is a Joint Industrial Council for the Water Works Undertakings Industry on which the Metropolitan Water Board is represented. Amongst the district councils established is one for the Metropolitan area. One of the objects set forth in the constitution of the Industrial Council is the regular consideration of wages, hours and working conditions in the industry as a whole, but for certain reasons the Council decided in August, 1919, that wage negotiations should be conducted in the districts for the time being. In view of the fall in the cost of living that afterwards occurred, the question of the revision of wages upon a uniform plan was considered by the Joint Industrial Council, with the result that on 1st July, 1921, it formulated the following scheme set out in a report from the Executive Committee which was unanimously adopted—

- "(a) That as and from 1st July, 1921, and at each periodic review set forth in Paragraph (b) the hourly rate of pay shall be increased or decreased by one-halfpenny per hour for every six full points by which the average cost of living for three months determined in accordance with Paragraph (c) rises above or falls below 146 per cent. over the pre-war cost of living—variations of less than six full points in either direction being ignored.
- "(b) That the revisions shall operate from the commencement of the first pay week on or after 1st July, 1st October, 1st January and 1st April in each year.

¹ Metropolitan Water Board Case—Decision No. 679. British Industrial Court Decisions Vol. 4. Pt. 2. (1921). pages 38-42.

- "(c) That for the purpose of calculating the average cost of living, the average percentage increase in the cost of living (all items) for the last three months included in the "Labour Gazette" published in the month preceding the revision dates (Paragraph (b)) shall be taken. . ."

80—ARBITRATION—PUBLISHERS ASSOCIATION—
NEW YORK CITY (1920)¹

A simple case of adjustment upward on the "cost of living" principle.

In the previous proceedings I presume that the basis of settlement was taken on the increased cost of living and the skill required by printers, therefore the duty which devolves upon your Arbitrator at this time is to determine what has been the increase in the cost of living from the last fiscal year, and [he] has arrived at his conclusion from the mass of evidence submitted and secured

It is not deemed necessary to indulge in any criticism of either side in the presentation of its argument, but careful consideration has been given to the scarcity and price of print paper as submitted by the representative of the Publishers, but wage scales today are being adjusted, of course, on the elements incident to the cost of living. At least, this is the particular argument advanced by the contending parties in this dispute, so that in arriving at a solution of the wage situation these two elements have been very thoroughly considered by the Arbitrator

An analysis of the above indicates that the cost of living during the last fiscal year (April 1, 1919, to March 31, 1920) has increased approximately twenty-four (24%) per centum, and therefore is the basis of the wage scale in this settlement.

A compilation of the estimates of the United States Department of Labor disclose that there is an approximate increase of 25% in the cost of living during this last fiscal year. Bradstreets places this approximate increase at 22%. The National Industrial Conference Board (Printers' Exhibit "L") places this increase at 21%; Mr. Edward W. Buckley, Secretary New York State Industrial Commission, article of April 23, 1920 (Publishers' Exhibit "C"), places this increase at 26%.

Each of these is an authority and has studied the subject thoroughly, still each arrives at a different conclusion. One authority states that the peak has been reached; others state that there will be an upward trend for some time to come.

Your Arbitrator would be justified in accepting the figures of the highest approximator as he would the lowest, in so far as the ability

¹ Arbitration—Publishers Association—New York City and Typographical Union No. 6. (1920).

of the approximator is concerned, but, in order that justice may be rendered, your Arbitrator has arrived at a medium percentage, and therefore places the increase at 24%.

81—DECISION—SHIPBUILDING LABOR ADJUSTMENT BOARD— PACIFIC COAST DECISION (1917)¹

Another simple case of wage adjustment upward on the "cost of living" principle as used by a government wage board during the war.

V. Factors considered in determining wages—In arriving at a fair wage scale we have had two ends in view—equalizing wage rates in the three shipbuilding centers and adjusting wages to the higher cost of living resulting from the war. . . .

In order to preserve the standards of living in existence before the war we took as a basis the rates on which employers and employees had united as shown by the agreements in effect June 1, 1916 To determine the increase in the cost of living from that time until October 1, we made use not only of the evidence presented at our hearings in the three cities but also of all other available material and investigations, including Federal, State, and municipal reports. The wages fixed represent the wages current in the three cities, increased to conform to the ascertained increase in the cost of living.

We believe that public opinion approves the intention of the Government to protect, so far as may be possible, American standards of living. On the other hand we do not believe that advantage should be taken of the national emergency to increase wages beyond a point corresponding to the increased cost of living. Attracting workers to the shipbuilding industries of the Pacific coast by establishing higher wages than are justified by the expense of living would, we believe, instead of improving the national labor situation, cause even greater disorganization than already exists. As a national board we feel bound to view our task nationally and arrive at decisions that will tend to increase the production of ships and other essential commodities, not merely in one locality but in the whole country. . . .

82—SOUTH AUSTRALIAN INDUSTRIAL COURT—CARPENTERS AND JOINERS CASE (1916-17)²

83—SOUTH AUSTRALIAN INDUSTRIAL COURT—PRINTING TRADES CASE (1920)³

¹ Decision of Shipbuilding Labor Adjustment Board touching disputes in Shipyards of San Francisco Bay and Columbus River and Puget Sound Districts (1917). *U.S. Monthly Labor Review*. March, 1918 pages 68-9.

² South Australian Industrial Reports Case No. 29. (1916) and No. 10. (1917). Vol. 1. pages 172-6.

³ South Australian Industrial Reports. Case No. 13. (1920). Vol. 3. pages 232-4.

It is often argued that any and all attempts to adjust wages upward in accordance with changes in the cost of living must defeat themselves by provoking a further upward movement of prices. This contention is the corollary of a theory of distribution which holds that the operation of unhindered economic forces constantly distributes the income of industry in such a way that "no interference" with these processes, no adjustment with reference to price movements, can materially affect the result but will almost surely do economic harm.¹ This corollary has been known as the Theory of the Vicious Circle of Wages and Prices. It is subjected to analysis in these decisions. The second decision is exceptional in its comments upon the relation between price movements throughout the world and price movements in any one country, etc.

Actual price movements may and do differ from each other vastly both as respects their causes and their character. The proper policy to be pursued can only be found if all the facts bearing upon the specific price movement which is of concern are carefully analyzed; that is what is attempted in these decisions. As far as the editor knows, the subject has never been given satisfactory analysis in American wage disputes. The reader is urged in his consideration of the subject to consult the economic literature on Prices and Price Movements.

¹ The following is a typical presentation of that opinion—as argued by employers before arbitration boards, and is therefore presented to the reader's consideration along with the decision. It is taken from "The Truth About the Labor Question" by Jacob D. Cox, Jr., Second Vice-President of the Cleveland Twist Drill Company—Cleveland, Ohio (1919). "We have seen now that every form of cost depends on the cost of labor, that is on the prevailing level of wages. As wages rise or fall, costs—and prices which we saw normally depend on costs—will rise or fall with them, and in the same proportion. When wages rise 50 or 60% as they have done in all the great nations since 1914, the cost of living keeps pace with them. The British Parliamentary Committee on National Expenditures after a long investigation declares 'the whole thing is a vicious circle of rising wages followed by rising prices. High wages mean high prices. Fresh cycles of wage advances succeed one another. Each one results in further increases of prices. The producers are raising prices against themselves as consumers. We are deeply impressed with the seriousness of the situation, and are convinced that if the process continues, the result can hardly fail to be disastrous to all classes of the nation.' In other words, prices have advanced step by step with wages. It always must be so, it always has been so, and it will always be so; and we are in a position to understand why it must be so, and why it cannot be otherwise. Rising wages carry rising costs and rising prices inevitably in their train, and the wage earners have not gained and cannot gain anything from an increase in money wages only. . . ."

82—CARPENTERS AND JOINERS CASE

Wages and the Cost of Living: The Theory of "The Pernicious Circle"

... I regard it to be my duty to refer very briefly to what I may call the "Theory of the Pernicious Circle" Briefly stated the theory is—(1) That prices of commodities vary with cost of production; (2) that an increase of wages is reflected in increased cost of production; (3) that a Court of Industrial Arbitration, which awards an all-around increase of wages, necessitates an increase in the prices of commodities; (4) that when this increase has taken place the Court must revise its previous estimate of wages, in order to maintain its standard interpreted in the purchasing power of money; and (5) that again the cost of living must go up. And so on, *Ad infinitum*.

While this theory is sometimes used to discredit the whole system of industrial arbitration, it is of course used more especially as an argument against proposals for awarding an increase in the rate of wage. The theory, in one form or another, and with many variants, has caused amongst employers a good deal of unrest and uncertainty, with a corresponding disinclination to take those risks which the efficient functioning of industry demands. Among employees, too, there has been an attitude of unrest and discontent, sometimes amounting to despair "What is the good" the employee asks, "to get an increase of wages if the increase may be rendered merely nominal by decrease in the purchasing power of money?"

For the reasons just mentioned, and for others that I might indicate, I think I ought to state certain facts—(1) This Court has never admitted that wages should necessarily be either increased or decreased in arithmetical ratio to the purchasing power of money (2) The theory in question overlooks the variety and relative importance of the factors which go to determine the purchasing power of money. It is, of course, quite true that wages in Australia have been generally and substantially raised in recent years. In order to be consistent with pre-established standards, Courts of Arbitration have had from time to time to adjust what is called in this State the living wage. But this readjustment has been an effect rather than a cause of the increased cost of living. . . . Speaking of Australian experience, it is safe to say that, while increased rates of wage have often contributed to an increase in the price for particular commodities, the general rise in the cost of living is mainly due to world prices and world influences. But supposing other factors than wages should remain the same, an increase in wages does not necessarily mean a decrease in the purchasing power of money. The increase in wages may come out of profits, where profits of an industry admit of this being done; or again, increased efficiency by employers or by employees may more than make good the difference in wages. . (3) Most of those who use the "Theory of the Pernicious Circle" as an argument against the system of the regulation of wages by public authorities probably fail to realise that they are, by implication, advocating a return to supply and

demand, or to collective bargaining, with its corollary of appeals to lawless force. The public regulation of wages does not eliminate supply and demand, but it qualifies their operation. For example, it precludes, or should preclude anything in the nature of sweating. *Per contra*, since the Courts only prescribe minimum wages for all workers, they do not preclude the operation of supply and demand in favor of the more efficient worker. (4) Some socialists use the argument of the "pernicious circle" as a proof against the possibility of progress under private-owned industry; but without expressing any opinion as to the relative merits of private and public-owned industry—which is a question for the High Court of Parliament—it ought to be apparent that under any scheme of socialism which is likely to prove at all workable, increased rewards for services rendered, whether called wages or not, would be liable to a like danger of enhancing the costs of production and the charges for the commodity produced.

The element of truth in the "Theory of the Pernicious Circle" is that, at a given stage in the history of a particular society, there is a limit to the amount which should properly be awarded for wages. I use the term wages here in a very broad sense to include not only the living wage for unskilled labor, which is partly ethical in the sense that it discards the value of the work done by particular workers, and is based on "normal and reasonable needs" but also to include the superstructure of wages or salaries for other classes, all of which of course, affect the cost of production. Both wages and profits have to be paid for out of the price paid by the consumer. If, whether by collective bargaining, or by strikes, or by judicial regulation on the part of public authorities, an attempt is made to narrow unduly the margin of profit on capital, then there is likely to be a period of industrial dislocation and every class in the community is likely to suffer. I am not now thinking of the fact that, in a young country like Australia, we are largely dependent upon the allurements of capital from abroad, although this fact is highly significant. I will suppose for the sake of argument that our community is self-contained. Even in such a case, if a fair return on capital is not allowed, the immediate result is the crippling of industries generally. Employers, instead of expanding their business, scrapping old machinery, and taking the risks necessary to the efficient functioning of capital will "sit tight." All classes are likely to suffer—probably the employees most of all. *Per contra*, conditions in a particular community favorable to the investment of capital mean a multiplication and expansion of industries, an increased demand for labor, and an increased opportunity for labor to obtain the minimum rates fixed by law, custom, etc. Parenthetically, I may remark that I am here holding no brief for individual capitalists. It is no part of the duty of this Court to keep down wages in a particular industry, so as to ensure to all capitalists engaged therein a margin of profit. Again and again, this Court has said that if an industry cannot carry on without recourse to sweating, it must go under, unless indeed, the community sees fit to subsidise it by bounty or tariff. Further, it is no part of the duty of this Court to act as protector of the inefficient capitalist. In its

estimate of marginal profits, the Court is justified in assuming a reasonable degree of efficiency on the part of those who control capital. Every day individual capitalists are going to the wall. It is equally true, of course, that some capitalists make extraordinary returns. It would conduce to lucidity of thought if the distinction between capital and individual capitalists were more generally appreciated.

I may give point to my previous remarks by referring to my estimate of 9s. per day, as the living wage for South Australia, in *The Living Wage (Tinsmith's) Case* (1916-1918, I R, pp 83-85). In that estimate I assumed an abnormal economy on the part of the worker owing to war conditions. But, for the moment, and in order to clarify the present issue, we will suppose that 9s. per day was a fair and reasonable estimate of the living wage, apart from the call for economy resulting from war conditions. By that I mean that 9s. per day represented what, on a comprehensive view of the industrial output of the community, it was safe for the Court to fix as a *bed rock*, below which wages must not be allowed to go. Suppose that, despite the reasonableness of the estimate of 9s., I had decided that at current prices 12s. should be declared a living wage. What would have happened? I will assume, of course, no intention to preclude the just margins involved in the maintenance of the superstructure of wages for other classes than the unskilled laborer. It might be anticipated, reasonably anticipated, I think, that there would be great, possibly a frantic effort on the part of employers to meet the new conditions by increased efficiency of organisation, management and industrial mechanism generally. The beneficial results of such an effort are hypothetical, the probably certain result of awarding 12s. would have been as follows:—(1) A period of dislocation would follow, involving much unemployment, and the ruin of many establishments (2) Some industries not absolutely essential to the community would die out, leaving their employees to swell the ranks of unemployment (3) Many industries essential to the community would have to be supported either by increased tariff (in which case the consumer pays directly), or by increased taxation (in which case the general public contributes indirectly). In so far as taxation involves a levy on industry, it affects, or is likely to affect, the costs of production, and therefore the costs of commodities. A wise legislature may do much to bring about an equitable distribution of the national income by a carefully reasoned scheme of taxation. But if it oversteps the margin, it increases the costs of production and the costs of the commodities produced. Returning to the question of the effect of an increase on the tariff in raising the cost of living it does not follow that the employees only pay the increased price of the commodity in proportion to the quantity of the goods which they consume. In *The Living Wage (Tinsmith's) Case* (1916-1918, I R, p 77), I said—“whether wages rise through an award of the Court, or through the operation of supply and demand, is immaterial with respect to the effect of the rise of wages on prices. To put the matter rather crudely, I will suppose a self-contained community in which wages go up by an amount indicated by the symbol X. Suppose in the same community that the

laboring class consume three-fifths of the commodities. It would be natural to argue that, even if the whole of the increased cost of production is passed on to the consumer, the laborers will receive a net gain. As consumers, they would pay three-fifths of X ; as employees they receive the whole of X . Unfortunately the matter does not work out in this easy arithmetic way. In the long course of production from the raw material to the finished article for consumption, there are many parties involved; and we certainly cannot assume, especially in view of the difficulty of dealing in fractions of a penny, that each party will only add an exact proportion. He would be more likely to add a little extra. The next result might be that the laboring class, while receiving increase X of wages, would pay more than X increase in the cost of living. . . ."

There is thus an element of truth in what I call the "Theory of the Pernicious Circle." But that theory only comes into operation if there is a miscalculation by the Industrial Court, or a failure on the part of price-controlling authorities to supplement, by wise supervision, the operation of the prices charged for commodities. . . .

83—PRINTING TRADES CASE

. . . . For the foregoing reasons, alone, the question now under consideration is one with which I feel I must deal before I can come to any decision as to what should now be regarded in Adelaide as a living wage. But there are further reasons among which I may mention the following.—(a) Since wages are necessarily reflected in prices, an increase in the wages bill of a community is a form of taxation from the point of view of others than those who secure the immediate gain, though ultimately every class in the community may be forced to contribute. (b) The belief that an affirmative answer to the question under consideration is inevitable is responsible for a general despondency amongst all sections of the community. Many employers ask "Where is it to end?" and yield to the fatalistic policy of "passing it on when you can, as soon as you can, and, if possible, before the need actually arises." Employees generally ask, "What is the good of increased wages if the benefit be merely temporary?" Militant unionists say, in effect, "Let us get in first." The unconsidered man in the street goes on his way, convinced that something is seriously wrong, but finding no remedy. (c) In proportion to the degree of truth in an affirmative answer to the question under consideration there appears to arise the need for a conservative estimate of the living wage at the present moment. Better that there should be even hardship unrelieved for a transitional period than that the foundations of the national prosperity should be sapped. What shall it profit to remedy symptoms at the price of aggravating the very causes of the disease which has to be cured?

Notwithstanding all that I have said, I must plead guilty to having raised the living wage in 1916 from 8s. to 9s. a day, and, again, in October, 1918, from 9s. to 10s. 6d. a day. I am now asked to raise the wage to 13s. 4d. per day. In the circumstances of the case, I am called

upon to consider very carefully the argument that any further addition to the living wage would be futile, owing to its inevitable reflection of the wages in subsequent prices. The argument has been considered by me in some previous cases. I feel under a duty in the present case to express my views more comprehensively than I have yet attempted to do.

I must begin by reference to some of the more important factors in price determination. Prices are sometimes said to be determined by supply and demand. More frequently by the cost of production. While both these determinants are operative, they are subject to many qualifications. Thus, while a brisk demand may enhance present prices, it may tend to lower prices in the long run, as a result of the stimulus given to large scale and more economical production. Costs of production, again, are subject, *inter alia*, both to the operation of supply and demand, and to market manipulation by trusts, pools, and combines. I have no intention here, however, to write a treatise on economics. I want to consider certain determinants of prices which must of necessity operate. To begin with, there is raw material cost. There is also the cost of manufacture, exchange, and distribution. The raw material is obtained locally or imported. Where imported, the high level of world prices necessarily raises cost of production. But even where obtained locally, the world prices affect most commodities. The producer wants the world's parity where he can get it, and to deny him that parity by legislative or executive action is difficult unless the community is prepared to face the prospect of being called upon to subsidise local production when world prices fall materially. The net result is that local prices are determined to a large extent by world prices, whatever local wages may be. Local wages, though necessarily reflected in local prices, do not determine what those prices will be. Under certain conditions, there *may* be high local wages and low local prices. Under other conditions, there *may* be low local wages and high local prices. The fallacy of the futility of raising local wages in order to maintain the standard of living is due to a failure to take a world view as well as a local view. Australian Industrial Courts may raise wages, but their influence can have little effect upon world prices, although they may influence local prices to an extent which varies in accordance with the nature of the commodity affected. The "dog following its own tail" argument, if taken in its ordinary sense as meaning that an increase of local wages involves a corresponding increase of local prices so as necessarily to nullify the wage increase, involves two absurdities. The first is that of fastening attention upon one factor in price determination. The second is that of ignoring the fact that local wages are only a part of the sum total of wages paid in different parts of the world.

If commonsense is to prevail, we must escape from such abstractions. We must get down to bedrock, and try to estimate the relative importance of the causes of the present increased and increasing cost of living. The causes act and re-act upon one another, and are interrelated, often in subtle and intricate ways. But, speaking of time recent, they might be grouped for practical purposes as follows:—

(1) The high level of world prices generally, as reflected in the cost of imported goods, and in the charges made for locally produced raw material based on world parity.

(2) The failure of the Australian community to exercise such an economy of expenditure as would tend to facilitate an adjustment of local supply and demand in favor of consumers. There is a dual evil here. The first is extravagance. The second is an irrational demand. By irrational demand, I mean a demand which persists in adhering to customary expenditure without a reasoned effort to adapt expenditure to circumstances of time and place. The possibilities of adaptation may have been small so far as concerns the unskilled laborer with a family to support. In most other classes or sections of the community there have been greater possibilities—possibilities far too commonly neglected.

(3) Increasing costs of production in Australia, whether due to increasing wages, lack of co-operation between employers and employed, industrial unrest, strikes, inefficiency, and increased costs of plant, and raw material.

(4) The degree of failure on the part of the present system of business organisation to ensure distribution at minimum costs to the consumer.

(5) Finance. This is a dangerous subject to talk about. But some things seem apparent. There is good ground for believing that we suffer from inflated currency. The methods of war finance may have been the best possible. But they have certainly contributed to the increase in the cost of living. Rates of exchange are often against us, and will continue against us until we have an adequate balance of trade in our favor. Again, the intangible but priceless asset, credit, has been threatened. That means an insecurity in the foundations of the structure upon which trade and industry are based. It means that many business men, and even many men "on the land," faced with a feeling of uncertainty as to the future, tend to "sit tight," or "to draw within their shell," or even to "get out of it." The causes are many, most of them connected with frantic attempts to adjustment which are an aftermath of the war. Industrial strife is the most apparent. But, whatever be the causes, the symptom itself becomes a cause of decreased production, greater scarcity, and enhanced cost of living. Even the credit of the whole community is infected. Not English investors alone, but Australian investors as well, view the large public debts, Commonwealth and State, with grave apprehension. The net result is to bring about the reverse of what we really need—the speeding up of production. The will, initiative, and enterprise of the ideal business man appear to be very often, if not commonly, lacking. Far too many employers prefer to "carry on" instead of enlarging their business operations, scrapping out-of-date machinery, and so creating additional supply, increasing employment, redressing the balance of trade, and cheapening the price of commodities. I agree with the statement of the eminent economist, Professor Nicholson, that high rates of interest and depreciation of money are both part of the price paid by the nation on its internal debt as well as its ex-

ternal debt, though the evils can be greater in the one case than in the other.

(6) Increase of transport costs on land and sea—an increase varying with the nature of particular commodities, but having an appreciable and even substantial effect on the general level of prices.

I feel considerable reticence in placing the above causes of increased cost of living in any particular order of importance. My immediate point is that increasing wages are but one of the causes. I have expressly refrained from placing profiteering in the list, because, while its effect on the price of this or that commodity may be demonstrable, its effect on the general level of prices is extremely difficult to estimate. I may express an opinion, however, that profiteering affects the Australian consumer more through the manipulations of external than of internal agencies. In so far as it affects local prices directly, the result is largely due to its power on the imagination of masses who seek retaliation by means of class warfare in one or other of its various phases. . .

84—ARBITRATION—SPOKANE PRINTING PRESSMEN (1919)¹

The use of the "cost of living" principle is often criticized on the ground that wage increases themselves become a cause of the increase. This opinion presents this criticism; it furthermore attempts to take it into account in the actual decision—the reasoning of which is referred to the reader's consideration for judgment.

In the following articles the arbitrators could not agree, and the chairman rendered the following decisions, viz:

Article III. Wages—This is the most important subject of the entire discussion. Counsel for the Union contended that wages should be raised in a measure corresponding to the advance in cost of living, ably sustaining his contention by exhibits from Government reports of these advances. These reports show a general advance of about 75% from 1914 to 1919 in which the chairman concurs. Counsel's contention, that wages are not a cause of increased cost of living, sustaining his contention by Prof. Taussig's report, is in the opinion of the chairman erroneous. Wages, though less elastic and slower to rise, when they do rise become an important contributory cause to the increase in cost of living. This is illustrated in figuring cost of all kinds of job work. The three general elements that are considered in cost figuring, are, material, labor and overhead, and if any one of these items increase or diminish, the cost must increase or diminish to correspond. The contention of the counsel for the employers is viz: that the entire burden of the advance asked for by the Union should not be borne by the employers and the

¹ Arbitration, Spokane Printing Pressmen's Union vs. Employing Job Printers. (1919).

public, when the cause or responsibility for the increase of living cannot be laid at their door.

Neither are they, the employers, in any manner benefitted by increase in wages. On the other hand the workmen are benefitted. It is the opinion of the chairman that a portion of the burden caused by the increase of wages should be borne by the workmen. It is true that they bear the same share borne by the public at large in being forced to pay the increased prices demanded by the storekeeper, but where they are the cause of, and beneficiaries from, the increase of wages there is a further pro rata to be borne by them. To determine what this pro rata shall be the chairman again reverts to the cost figures of job work, and finds that the item of labor is about 30% of the total cost. On this percentage the workmen should not receive the full advance. In other words, the cost of living has advanced 75%, labor's share of this burden is 30% of the 75%, therefore the net advance in this cause of dispute should be 52 and one-half per cent over the 1914 prices. This gives a basis to work from. Journeymen, cylinder pressmen received in 1914, \$24.00 per week; adding 52 and one-half per cent we have \$36.60 per week. This in the opinion of the chairman is a just and equitable award. . . .

85—COMMONWEALTH ARBITRATION COURT—ANGLISS AND COMPANY CASE (1916)¹

The "cost of living" principle of wage adjustment requires calculation of price change. Ordinarily the index number method is used to make the necessary calculations. A "cost of living" index number (which is an index number of the prices of those commodities which it is judged should be included in the household budget of workmen) is published by the Bureau of Labor Statistics in the United States and by similar government departments in other countries. There are besides privately calculated index numbers.

The use of this system of calculating changes in the cost of living is often challenged, sometimes because of alleged technical imperfections in the index number used, sometimes on the ground that while an index number may measure changes in prices, it cannot measure changes in the "cost of living." The reader who is interested in this controversy is advised to consult the valuable literature dealing with index numbers which has come into existence. It is impossible to present or illustrate all sides of this semi-technical controversy in a collection of cases of this sort, or even to bring the different problems involved to the attention.

¹ W. Angliss and Co vs Australian Meat Industry Employers Union. Commonwealth Arbitration Reports. Vol. 10. (1916). pages 478-84

This one case is printed because of its frank acknowledgement of one of those difficulties and because of its considered treatment of it and of the index number method, as applied more particularly to the living wage.

In ascertaining the basic wage from time to time, I have not been in the habit of treating the valuable tables of the Commonwealth Statistician as showing the actual cost of living of the wage-earning classes. The statistician finds the cost of a definite regimen, made up of some 47 articles (food, groceries and rent), as purchased by all classes of the community; and to find the variations in prices of these articles he necessarily has had to adhere, year after year, to the same series of articles, and to assume that they are consumed in the same quantities. No one can point out how the statistician could have done anything better for his purpose; one cannot record changes in prices of articles a, b, and c without keeping to a, b, and c; but the prices of this regimen do not directly show the cost of living of a wage-earner's family; and the statistician does not pretend that they do. The basic wage which I found in 1907—at a time when I had no statistician's tables to help me—was the result of the selected and sifted evidence of thrifty and careful housekeeping women whose husbands were wage-earners. . . .

But, since 1907, prices have been rising, especially the prices of food. The rise was steady before the war; but since the war it has been violent. Australia is by no means exceptional in this respect. According to the *Labour Gazette* of the Board of Trade, for March 1916, the increase as to food alone has been, since the war began, in the United Kingdom 48 per cent.; in Berlin 88.5 per cent.; in Copenhagen—in a neutral country—33.4 per cent.; in Australia (according to the Commonwealth Statistician) over 300; but in Australia the August 1916 returns show a healthy tendency towards normal prices. The rise in prices, in all the cost of living, is admitted on all sides; and the only question is as to the extent of the rise. It is at this point that I make use of the statistician's tables; but I make use of them as *prima facie* evidence only. These tables purport to show the variations in the purchasing power of money, so far as the variations in the prices of his selected regimen, with its 47 items, show it. The statistician does not affect to believe that these same staple commodities in the same quantities are purchased always by all classes in all localities, or by all families in a class; but he says that "in normal circumstances properly computed index numbers of food and groceries and house rent combined form one of the best possible measures of those variations in the purchasing power of money which affect the cost of living." (*Labour and industrial branch report*, No 6 p. 18). These index numbers do not deal with all the commodities purchased by the wage-earning classes, and some of the selected commodities may not be purchased by these classes at all; but—until the contrary be shown—I infer that the depreciation in the value of money which is found in relation to the selected commodities is to be found also in relation to the

other commodities; that the same causes produce the same effects; and the contrary has not been shown. It is all a matter of burden of proof. This method is substantially in accordance with the views and intentions of the Statistician; for he says—"Once a standard of living, or living wage, has been fixed, the tables (as to the purchasing power of money) published by the Commonwealth Statistician can be legitimately used as showing the variations in the cost of living." (*Labour bulletin No. 14 Oct. 1916*, 6. 130.)

At p 20 of Report No. 6, the Statistician points out that in abnormal circumstances (such as war or drought) people usually change their regimen, under stress His price indexes would still "show the variation in the value of money based upon the normal composite unit," although they are not quite so satisfactory for certain other statistical purposes. It is here—in the change of regimen—that one finds the danger signal. A compulsory change of regimen on the part of labourers who receive only the basic wage—if it is a true basic wage—must mean generally an inferior regimen, less sustenance, a failure to satisfy the normal needs of civilized men, a diminution of physical power, a decrease in efficiency; whereas a change of regimen on the part of people with larger incomes is not likely to involve any such result When it appears, as in this case, that one respondent has opened since the war a shop or stall for the sale of ox cheek and cuttings off the head, for which he had no market before, but which people buy now as meat is so dear, such a fact makes circumstances, to make some sacrifices, but he has carefully guarded his regimen so easily as the people of other classes who have not so much physical waste to make up, and who are often actually improved by a lower regimen I notice that Mr. Justice Powers, in his judgment delivered in the Federal Clerks' case, March, 1916¹ has spoken as to the necessity of changing one's regimen from things which are dear to things which are cheap He has spoken of the duty of all under the present circumstances, to make some sacrifices; but he has carefully guarded his words by making them apply only to the secondary wage—"once the living wage is secured" It is the living wage that is now being considered. Yet even as to the living wage it is always open to employers, to prove, if they can, that there is a complete regimen which is physiologically as good as the kind contemplated in the calculations of the living wage, and which is at the same time cheaper. It is of no use, however, to point out merely that there is this or that possible substitute for this or that favourite article, and to show that it would be cheaper. It is of no use merely to show, for example, that ox cheek is cheaper than rump steak or than ribs of beef. I am told that ox cheek is actually richer in grammes of protein, but that it has only half as many calories as steak—half the fuel value, half the value for energy If 3,500 calories and 125 grammes of protein be required for the worker per day, the deficiency must be made up somehow; so that it is idle to compare the different regimens except in their totality. But although the Court may fairly be asked to revise its conclusions as to the living wage on being shown that there is as good a regimen which is cheaper, it must avoid the morass of

¹ *Supra* page 16.

faddism. It must decline to be led into the absurd position of deciding between rival theories as to diet—for example, between a vegetarian diet and a diet in which animal food is allowed. It must take the habits of the people as they are, must refuse to dictate what to eat and what not to eat; must accept the practice of thrifty wage-earners' homes—which make economies under the pressure of stern necessity, but whose breadwinner's strength has to be renewed from day to day—as affording usually the best practical test as to the suitable regimen. . . .

Much could be said on the subject, but I feel that I should be going beyond the proper restraints of a judicial pronouncement. But the system which this Court has adopted for ascertaining the changes in the cost of living may be quite right, and yet the original basic wage fixed in 1907 for Melbourne may be quite wrong. It is always open to parties to show that it is wrong, or to show what the true cost of living is at the time of each arbitration. I have never adopted the practice of letting the basic wage change automatically according to the Statistician's tables as to changes in purchasing power of money. I treat the finding of 1907 as tentative only, as being only *prima facie* right, and the Statistician's tables as being only *prima facie* evidence. The subject is too novel, too difficult, too formidable in all its consequences, for the Court to make that finding of 1907 a fundamental dogma.

The result is that, in the absence of any better evidence, I ought to treat the cost of living for these wage-earners, as having increased in Melbourne, since 1907, in the proportions shown by the Statistician's tables (see Report No 6, 44); that is to say as 17s 6d 25s 6d. The latter figures refer to the mean for the whole year 1915. It is true that the figures are still higher for the present year 1916, so far as it has gone; but I do not think it expedient to act on the figures of the latest fraction of a year. If, then, 42s was the proper basic wage in 1907, the proper basic wage now should be fully £3 per week, and I shall award accordingly. The figures for 1915 are substantially the same for Adelaide. . . .

86—DECISION—RAILROAD LABOR BOARD—MAINTENANCE OF WAY MEN (1922)¹

Since the purpose of the "cost of living" principle of adjustment is to so adjust money wages as to keep them the same as at some previous period, a dispute may arise as to what previous period should be taken as the basis of calculation and comparison. When the index number method of calculation is used, the question becomes one of choice of the base period for the index num-

¹ *Alabama and Vicksburg Railway Co et al. vs. United Brotherhood of Maintenance of Way Employees et al.* Decision No 1028. Decisions U.S. Railroad Labor Board. Vol 3. (1922). pages 383. *et seq*

ber. During periods of rapid price change this may become a matter of consequence.

This case illustrates the type of dispute that may arise. On the general subject of the proper base for index number calculation, the reader is again referred to the general literature on index numbers. He will not find the matter well presented in the literature of wage disputes.

Incidentally this case brings to the reader's attention another difficulty that may complicate the use of the "cost of living" principle—the length of the working day may change in the interval of comparison. In that case should comparison be based on the hourly or piece-rate or daily earnings? This same question may complicate any wage dispute, of course.

MAJORITY OPINION

History of the controversy—The Railroad Labor Board by Decision No 2, effective May 1, 1920, increased the wages of this class of employees, along with others, on all the railroads then before the board. That decision was rendered at a time when living costs and wages were at their summit. Shortly afterwards living costs and wages in general began to decline.

The Labor Board by Decision No 147, effective July 1, 1921, reduced the wages of this class of employees on all the carriers before the board.

Basis and analysis of decision—In this case the board adopts as its base the rates fixed in Article III of Decision No. 147, and finds it just and reasonable under the law and the evidence to make the following schedule of decreases per hour:

Based upon the evidence before the board, the statistical department of the board has made a study of the comparative purchasing power of the wage herein fixed for so-called common labor and the purchasing power of the wage paid such labor on the railroads in December, 1917, immediately prior to Government control of the carriers; in January, 1920, just prior to the termination of Federal control; on May 1, 1920, the effective date of Decision No 2; on July 1, 1921, the effective date of Decision No 147; and in March, 1922.

The result of this study is as follows:

Average hourly rates:	Cents.
December, 1917	19.3
January, 1920	37.7
May, 1920	46.3
July, 1921	37.7
Under present decision	32.7

Per cent of increase in average hourly rates over December, 1917:

	Per cent.
January, 1920	95.3
May, 1920	139.9
July, 1921	95.3
Under present decision	69.4
Increase in cost of living over December, 1917:	
January, 1920	40.0
May, 1920 ..	52.0
July, 1921 ..	26.7
March, 1922 (latest available Government data).....	17.2
Per cent of increase in purchasing power of earnings of subsequent dates as compared with December, 1917:	
January, 1920	39.5
May, 1920	57.8
July, 1921	54.1
Under present decision	44.5

... The cost-of-living figures set out in the foregoing tables have been compiled from the reports of the United States Department of Labor and are for the latest date for which such data are available

DISSENTING OPINION

Unfairness of Majority Decision on Increased Purchasing Power

The statistical study of the comparative purchasing power of the wage for common labor fixed by this decision and the purchasing power of the wage paid such labor in December, 1917, which serves as the major justification in the majority report, is unfair and misleading.

In the first place, it fails to take account of the change in the number of hours constituting the basic working-day as between the two periods. During the period covered the basic day was reduced from 10 hours to 8 hours. According to Wage Series Report No. 3 issued by the Labor Board, the average daily rate of pay for this class of labor was \$1.93 in December, 1917, and will be \$2.62 under this decision. This shows a wage increase amounting to 35.8 per cent, not 69.4 per cent as stated. This would bring a consequent reduction in the figure for the increase in the value of earnings from 44.5 per cent, the figure in the majority report, to 15.9 per cent, which is the correct figure. For, as stated in the report of the Lane Commission:

"Reductions in hours are not to be regarded as increases in pay. This rule is made necessary, first, by its justice, for it is not to be contemplated that hours are reduced to decrease earnings; and, second, by the impracticability of applying any other rule. * * * We assume the good faith of all reductions in hours as being what they pretend to be."

The Railroad Labor Board has decided that eight hours shall constitute the basic day for this class of labor, and it must, therefore, in

good faith, recognize that the basic earnings of these employees under the decision will be only 35.8 per cent above the level of December, 1917, meaning an increase in purchasing power of only 15.9 per cent instead of 44.5 per cent, as stated in the majority report.

In the second place, however, consideration of the entire comparison forces one to the conclusion that the period chosen presents an unfair picture. During the period 1915 to 1917 the cost of living had been rising far more rapidly than the wages of this class of employees. In other words, the \$1.93 per day representing the average wage in December, 1917, meant a lower purchasing power than the average wage in 1915.

This fact is clearly shown in the tables compiled by the statisticians of the Lane Commission. In Table 6, Part II, Appendix II of the report of this commission, it appears that the expenditures for necessities of 11 families of railroad employees having incomes up to \$600 exceeded their incomes by a total of \$2,647.95. This deficit is more than double that of the same families for the year 1915, which totaled \$1,028.84. Practically all of the employees in question come within this class. The majority report therefore chose, as a base period for comparison with the wages of the decision, a year in which this class of labor was suffering an increasing deficit.

The following short table will summarize the facts discussed above:

Wages of Section Men

	1915.	Under present decision.
Average per hour	\$0.15	\$0.327
Average per day	1.50	2.616
Percentage increase in wages.....	74.4	
Percentage increase in cost of living	60.5	
Percentage increase in value of wages.....	8.7	

Wages of Other Unskilled Laborers

	1915.	Under present decision.
Average per hour....	\$0.182	\$0.359
Average per day	1.82	2.872
Percentage increase in wages	57.8	
Percentage increase in cost of living.....	60.5	
Percentage decrease in value of wages	17	

The Two Groups Combined

Percentage increase in real wages of both groups (weighted average)	5.7
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87—AWARD—UNITED STATES BITUMINOUS COAL
COMMISSION (1920)¹

The application of the "cost of living" principle of adjustment, by itself, in wage disputes has sometimes been opposed by labor organizations on the ground that it merely made for the maintenance of the previously existing standard of life and earnings, instead of leading to a more satisfactory one. Sometimes this view has been based on the argument that the standard preserved was below a minimum standard of decency and comfort—as in this case; sometimes it has been extended to express a belief that the growing productivity of industry entitles the worker to expect a progressive standard.

This extract from the minority report of the Bituminous Coal Commission illustrates the objection made to the use of this principle on the ground that the wage perpetuated is not a living wage.

MAJORITY REPORT

In arriving at the present wage award, we were guided by the principle that every industry must support its workers in accordance with the American standard of living

With this principle in mind, we have considered the fact that the cost of living has advanced greatly from the pre-war level. Estimates of this advance in the evidence before the commission have ranged from the 80 per cent, submitted by the operators, through the last official report of the Bureau of Labor Statistics, which was 83 per cent for October, 1919, and the 86 per cent claimed by the miners in their brief with which they stated they would be satisfied as a basis of the award, to an even higher figure provisionally estimated by the Bureau of Labor Statistics for December, 1919, on the basis of returns which are as yet incomplete

In addition, we have taken into consideration increases in wages received by workers in other industries, as well as other factors herein set forth, including the consideration that every cent added to the tonnage rate on the annual production means an increase of five million dollars in the cost of producing coal, while each per cent of increase equals between seven and eight million dollars. . . .

On the basis of this adjustment tonnage workers will receive an average increase over 1919 of 31 per cent, while day men whose wages were advanced disproportionately under the Washington agreement will receive an average increase of 20 per cent. It will be noted that the increase to the day men of 20 per cent amounts to a total increase since 1913 of 111 per cent. This figure is much in excess of the highest estimates of the advance in living costs. It should be understood that at the time the

advance was given to the mine workers under date of October 6, 1917, the advance given to the day labor was at a rate considerably in excess of the advance given to the tonnage workers. In fixing this difference one of the principal factors considered was the claim that day labor had prior thereto not been paid at a rate proportionate to that received by tonnage workers. We, therefore, considered that a part of the advance allowed day labor in 1917 should not be considered in computing advances in wages based on increased living costs. It has been difficult to determine just what part of the excess advance to day labor in 1917 was due to the inequality as between tonnage and day workers and what part was due to efforts to induce this type of men to remain in the industry at a time when the war emergency was offering higher inducements in other industries. We feel, however, that, in allowing the day men an advance which brings their total increase since 1913 to 111 per cent, as against 88 per cent for tonnage workers, the method we have used is fair. . . .

MINORITY REPORT

The proposal of Messrs Robinson and Peale for a 27 per cent increase in wages is based upon the idea that such an increase will restore the pre-war status of the mine worker. This results in a gross injustice, as pointed out in preceding section, to those employees whose wages had been little increased between 1914 and 1919. Thus the pick miner, who previously had been the basing occupation in making wage increases, received an increase of only 35.5 per cent between 1914 and 1919. The proposed additional increase of 27 per cent would give the pick miner a total increase of only 72 per cent over his 1914 rate, an increase far below the increased cost of living as accepted by Messrs Robinson and Peale themselves. It is absolutely no solace to the pick miners, under such circumstances, to be told that the average increase for all mine workers had been as great as the increase in the cost of living, no more than it would be to a street car conductor to be told that, even though he received no increase in wages, the average earnings of street car employees had enormously advanced, owing to large advances granted the motormen. Each man must live on the opportunity of earnings within his own occupation.

But even if these inequalities had been adjusted and every occupation had been restored to its pre-war earning capacity, mine workers would not feel that full justice had been done. For the primary demand of the mine worker before this commission was not for a restoration of pre-war conditions. Their primary demand was for a living wage—a wage which would permit the average mine worker to maintain his family in health and decency; to live in modest comfort as regards housing, food, and clothing for his wife and children; to enjoy some of the minor pleasures of living; to set aside some little of his income against old age and disability; to live, in other words, according to the accepted standards of an American citizen. . . .

All of these facts, gathered from the most reliable sources, lead to the irresistible conclusion that *prior to the war the mine workers were*

not securing earnings adequate even to maintain the barest physical requirements of their families.

It is, therefore, evident that were mine workers given increases in rates of pay corresponding to the rise in the cost of living the present level of earnings would be unsatisfactory to a nation which holds important the physical and moral well-being of its population. Adding the increased cost of living would only restore the inadequate pre-war standards. What the mine worker needs, and what the interest of the country demands, is that, irrespective of increases in living costs, the rates of pay should be increased sufficiently to assure him a living wage. . . .

88—ARBITRATION—MILWAUKEE PRINTING INDUSTRY (1923)¹

The following decision is an attempt to meet the objection to the "cost of living" principle which was expressed in the preceding case—by simply making it one of a number of principles used. The other principles used are discussed in other parts of this collection; the "ability to pay" principle is presented later in this chapter; the principle of "comparison with wages in other industries" is taken up in Chapter VI.

Findings of Arbitrators

(1) *Burden of proof.*—In considering the issues before the board, we have assumed that where any rule as to wages, hours, working or other conditions have prevailed for some time, it should not be changed in the absence of definite evidence that some injustice or wrong growing out of the rule may be corrected and remedied by such change. In other words, we have placed the burden of proof on the party urging that the present order of things be changed. In applying this rule we have found it necessary to peruse all of the briefs, the exhibits and the transcript of the proceedings, although we can not, of course, expressly refer to much of the evidence that has been given consideration.

(2) *Scope of investigation.*—We can not find that the evidence justifies the contention advanced by counsel for the publishers that there was an understanding at the time of the adoption of the wage scale in 1920 that such scale was a final adjustment to date of all wage controversies. Neither is there any evidence that there was anything in any of the prior negotiations which in any way raised this presumption of finality.

On the other hand, we do not deem it to be the proper function of this board to fix wages and conditions in such a way as to endeavor to compensate either party for possible losses or deficits suffered prior to 1922.

We can not, therefore, agree with the publishers and assume with them that the wages at the peak of the cost of living in 1920 were both

¹ *Milwaukee Newspaper Publishers vs Milwaukee Typographical Union No. 23. U. S. Monthly Labor Review. January, 1924 pages 99. et seq.*

adequate and satisfactory and should be consequently decreased to the same extent that living costs have receded.

Neither can we agree with the union that we are to fix a wage which will compensate the printers for what they argue has constituted their financial loss due to the inadequacy of the wage for the period 1913-1922.

(3) *Standard of living*.—We can not take the position that there should in no event be any advance in standards of living. It would, it seems to us, be necessarily inimical to the best interests of printers and publishers, as well as inimical to the best interests of the general public, if the printers were faced by a stone-wall principle that there must be no advance in their standards of living. The possibility of a reasonable advance in the standard of living of this group is, we believe, absolutely essential to the welfare of the group itself as well as to the welfare of the entire industry, including the publishers. The mere fact that a certain wage scale permits such reasonable improvement in living conditions as comes to all of us is not, therefore, necessary evidence that the wage is too high.

(4) *Model budget*.—We have considered with interest the evidence and arguments advanced by the union that wages should be so adjusted as to furnish each Milwaukee newspaper printer with the means of providing the items listed in the budget, or the equivalent of such items. It occurs to us that no two men with identical incomes and the same size families would purchase the same article nor expend the same amount in support of their families, nor would the two agree as to what were the essentials. The so-called model budget is not a budget among Milwaukee printers or others. It is suggestive as to standards of living which it might be desirable for Milwaukee printers to attain, but it is theoretical. On the whole the evidence has not convinced us that the model budget should control in arriving at a conclusion as to wages which should prevail in Milwaukee.

This is not to be interpreted, however, as a conclusion that in the adjustment of wages we are not concerned with the cost of living as applied to a weighted budget of commodities such as is used by the Labor Bureau and the National Industrial Conference Board in their statistical reports

(5) *Comparisons*.—It seems impractical to segregate the needs of one group of men in one city for a certain period of time and arrive at a conclusion as to what they ought to receive. The problem is necessarily it seems to us, a relative one and necessarily involves comparisons.

It occurs to us that we can profitably make, among others, the following comparisons:

- (a) We can compare the proposed wage scale with wages paid for similar service in other of the larger cities.
 - (b) We can compare these proposed scales with wages paid at other times, here and elsewhere.
- (Taking into account in the comparisons mentioned (a) and (b) the varying factor of the cost of living.)

- (c) We can compare the local scale and its trend over a period of years with the general trend of wages among newspaper printers and industrial workers in general over a similar period.

ABILITY TO PAY.—It is necessary to consider such evidence as has been presented as to whether or not newspapers which are parties to this arbitration can pay the different scales of wages suggested or the scale of wages found to be otherwise desirable. It is, of course, evident that a scale upon which the industry can not continue to function and be reasonably prosperous would not be a wise scale to adopt even from the standpoint of the employee himself.

We find that the union has introduced evidence tending to prove that the newspapers, parties to this arbitration, are prosperous, are earning more than formerly, and are able to pay the scale proposed by the union. The publishers have not elected to join issue with this contention. We find, therefore, that there is no evidence that any scale proposed would cripple the industry or deprive the owners of reasonable returns, and must therefore assume the ability on the part of the publishers to pay the proposed scale.

Findings of Fact

(1) **CHANGES IN WAGE IN MILWAUKEE**—We find in 1913 the wages of the printers in Milwaukee newspapers were \$23 per week for 48 hour week; that this wage rose in February of 1915 to \$24; in March 1916 to \$26, in September 1917 to \$27; in August 1919 to \$37, in August 1920, to \$45, at which figure the scale still remains, that this present weekly wage constitutes substantially 93¾ cents per hour.

(2) **CHANGES IN LIVING COST AND WAGES**—From 1913 to 1920 while the scale of wages in Milwaukee was rising, living costs were also mounting, so that at about the time the \$23 of the 1913 scale had become the \$45 scale of 1920 (an increase of 95.6 per cent) the cost of a weighted budget of commodities supposed to represent the needs of the average family had, under the figures compiled by the Labor Bureau, risen 116 per cent.

The National Industrial Conference Board figures, which start with the cost of living as of July 1914, indicate that at the peak the cost of living had increased 104.5 per cent.

We find, therefore, that the purchasing power of a dollar of wages in 1920 was less than half of what it was in 1913.

Using figures furnished by the Department of Labor and by the National Industrial Conference Board, we have prepared a table which reflects the conditions as to wages and cost of living through a period of almost 10 years, from 1913 to 1923.

In this table will be found, opposite the various dates, the following data: In the first column the money wages paid newspaper printers in Milwaukee; in the second column the percentage increase in living costs

for that period over the living costs in 1913, Labor Bureau figures: in the third column the "real wages" at each date of the computation, being based on the purchasing power of the dollar in 1913, as compared with the purchasing power of the dollar at that date; in the fourth column will be given the percentage increase in living costs for that date over the living costs in July, 1924, as given by the National Industrial Conference Board; in the fifth column will be given the "real wages" under the National Industrial Conference Board figures, the computation being based on the relative purchasing power of the dollar at the date given as compared with the purchasing power of the dollar in 1914. . . .

**Nominal and "Real" Wages in Milwaukee,
December, 1913, to June, 1923**

Month	Nominal wages in Milwaukee	Bureau of Labor Statistics figures		National Industrial Conference Board figures	
		Per cent of increase in living costs over 1913	Real wages based upon purchasing power of 1913 dollar	Per cent of increase in living costs over July, 1914	Real wages, based upon purchasing power of July 1914 dollar
December, 1913 . . .	\$23 00	.	\$23.00	...	...
December, 1917	27 00	42.4	18.86	...	...
December, 1918 . . .	27 00	74.4	15.48	...	...
1919:					
March	27 00	...	...	60.5	\$16.82
December	37 00	99.3	18.56	...	...
1920:					
March	37 00	..	...	94.8	18.99
June	37 00	116.5	17.07	.	...
July	37 00	..	..	104.5	18.09
November	45.00	...	...	93.1	23.82
December	45.00	100.4	22.46	...	...
1921:					
January	45 00	95.6	23 00	...	...
November	45.00	...	...	63.0	27.61
December	45 00	74.3	25.87	...	...
1922:					
March	45 00	66.9	26.97	54.7	29.35
June	45.00	66.6	27.01	...	...
July	45.00	...	...	56.6	28.93
September	45.00	66.3	27.06	...	...
November	45.00	...	...	58.4	28.41
December	45.00	69.5	26.55	...	...
1923:					
March	45.00	68.8	26.66	59.2	28.27
June	45 00	69.7	26.52	...	...

While this table standing alone should not be taken as finally determining the wage scale, still it reflects some of the facts we must face in coming to our conclusions. By it, it will be seen that in June, 1920, when living costs were near their peak, the \$37 wage then being received had the purchasing power that only \$17 07 would have had in 1913. Living costs went up more rapidly than wages and the printers, in common with all other Americans who received wages or had static incomes, were suffering. The situation illustrates the principle that wages can not and do not respond directly to the extraordinary fluctuations in living costs. Soon after June, 1920, the living costs began to decline, but it was not until some time in the month of January, 1921, that the \$45 wages which the printers were then receiving had a purchasing power of equal to the \$23 which they had received in 1913.

It will be seen that in 1922 living costs sank to their lowest point, and consequently the "real wages" received were at the highest. In June of that year the \$45 in nominal wages was the equivalent of \$27 01 measured by the purchasing power of a dollar as it stood in 1913. Since then living costs have again risen slightly but not with any speed or to any considerable extent. According to the Labor Bureau reports, in June, 1923, the \$45 nominal wages had the same purchasing power that \$26 52 would have had in 1913. In other words, in June, 1923, the Milwaukee newspaper printers were receiving approximately 15 per cent more than they were receiving in 1913 so far as purchasing power is concerned.

Trend of wages, 1913 to 1923

The testimony introduced by the union and the testimony introduced by the publishers are in substantial agreement as to the general trend of wages, both nominal and real, which have followed during the ten-year period that we have had under consideration.

The testimony introduced by the union indicates that the average weekly money wages of newspaper printers in the largest 30 cities in the United States was, in 1914, \$25 74 for a 46 3 average hour week (union brief, page 14, where the hours, however, are not given), that in 1920 the average was \$41.50 per week of the same length, that by 1923 the average was \$47 50; that this latter figure is the average weekly wage in the 30 cities for the average week of 46 4 hours, or the equivalent of \$49.08 for a 48-hour week (union brief, page 111); that the \$23 wage prevailing in Milwaukee in 1913 had risen to \$45 in 1923, an increase of 95.6 per cent; that the real wages or purchasing value of the money earnings had risen from \$23 in 1913 to \$26 52 in 1923, an increase of 15 per cent. (Union brief, page 110.)

The testimony introduced by the publishers does not deal directly with wages of newspaper printers, but indicates that the average weekly money earnings in all industries throughout the country had risen in May, 1923, to 118 per cent over the earnings for July, 1914, that the "real earnings" or purchasing power of money earnings had risen in May, 1923, to a point 36 per cent above the July, 1914, level. (Publishers' Exhibit J, Bulletin N. I. C. B.)

The chart filed by the publishers (Exhibit E, dated June, 1923) is helpful but is difficult to use as a basis of exact computation, since it is somewhat general in terms and it is not clear from it that any definite figures are given for the trend of wages of skilled newspaper printers as distinguished from other skilled workers in the newspaper industries. In other words, the chart is a chart giving the trend of wages for the entire newspaper industry.

Comparisons

The arbitrator has felt that the situation calls for a study of the wages of Milwaukee newspaper printers, as compared to the wages of newspaper printers elsewhere * * * [A comparative study of wages in Milwaukee and 29 other large cities showed that in 1914] when the Milwaukee wage was \$23 for a 48-hour week, the average for the larger cities was \$25.74 for an average 46.3-hour week—the equivalent of \$26.68 for a 48-hour week or 15 per cent more than the Milwaukee wage. The average hourly wage was 55.6 cents, as against the Milwaukee hourly wage of 47.9 cents.

We find that in 1913 and 1914 the Milwaukee weekly wage thus computed was \$3.68 under the average; the Milwaukee hourly wage 7.5 cents per hour under the average for the large cities.

Milwaukee 1923 wages compared to wages in other cities

[A comparison of figures presented to the board] showing wages in 1920 and in 1923 in all the cities of the United States having over 200,000 population excepting only Atlanta and New Orleans * * * indicated that the average hourly wage in all these cities outside of Milwaukee is \$1.02 $\frac{1}{4}$; that this is a rate which yields \$49.08 for a 48-hour week without allowance for overtime; that the present hourly wage in Milwaukee is 94 $\frac{3}{4}$ cents—8 $\frac{1}{2}$ cents under the average; that the present weekly wage in Milwaukee is \$4.08 under the average computed for a 48-hour week.

* * * As this table includes three metropolitan cities of over a million inhabitants, some cities much smaller than Milwaukee, and some cities on the Pacific coast where living conditions are very different, [it was considered] fairer to omit these classes of cities.

We therefore prepared a table with a list of 16 cities, from which New York, Chicago, and Philadelphia are omitted on account of size, from which all Pacific coast cities are omitted on account of different conditions, and from which all cities under 250,000 inhabitants are omitted.

The hourly rate in the 16 cities remaining is \$1.023/16; a rate that yields \$49.05 for a 48-hour week.

In order to test the matter further, we have dropped out of this list of 16 cities all Atlantic seaboard cities, leaving only 11 cities, all having over 200,000 inhabitants and less than 1,000,000 and all being situated in what might be termed the Middle States. [The 11 cities were St. Louis, Cleveland, Pittsburgh, Detroit, Buffalo, Cincinnati, Minneapolis, Kansas City, Indianapolis, Denver, and Rochester.]

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The result shows that the average wage in these Middle State cities is \$1.00 7/11 per hour, a rate that yields \$48.30 for the 48-hour week.

We find that the situation is reflected in the following summary expressed in terms of hourly wages:

In 30 cities (all over 200,000)	\$1 02 1/4
In 16 cities (250,000 to 1,000,000, omitting Pacific coast cities) ..	1.02 3/16
In 11 Middle States cities (all cities in that region except Chicago)	1.00 7/11
In Milwaukee .....	.93 3/4

We are therefore forced to the conclusion that the wage of newspaper printers in Milwaukee is and for some years has been less than the average in other large cities in the country, no matter how these large cities may be grouped.

Cost of Living in Milwaukee

In seeking to find a reason for this persistent low wage scale in Milwaukee we have made a careful examination of the testimony and have compiled such figures as were available bearing upon cost of living in Milwaukee relative to the cost in other cities (Food costs only were available and a table was prepared showing a comparison of food costs in Milwaukee with the average cost of food for the United States. This comparison indicated that so far as food is concerned most of the staple articles are slightly below the average in Milwaukee. Coal, on the other hand, is higher than the average. We have no figures upon clothing and rent.)

It can be fairly concluded, however, from the evidence that living in Milwaukee is somewhat cheaper than in the average city in the United States, a condition which may possibly be an explanation in part of the fact that the scale of wages in Milwaukee both in newspaper printing and some other trades, are [sic] below the average in the United States.

Conclusion

As to wages (sec 6) we have concluded, therefore, that the present Milwaukee wage of \$45 for a 48 hour week (93¾ cents per hour) represents an advance of 15 per cent in "real wages" over the wages in Milwaukee in 1913.

(It happens that this 15 per cent increase in "real wages" places the 1923 Milwaukee wage almost exactly on a par with the average of "real wages" in other cities in 1913)

We also conclude that the present Milwaukee rate is so far below the 1923 average in other large cities that it now constitutes underpayment; that a just wage for the year beginning August 8, 1923, would be for day work \$47 per week, 97-11/12 cents per hour; for night work \$52 per week, \$1.08 1/3 per hour.

This is a rate still substantially below the average but one possibly justified by living and working conditions in Milwaukee.

We further conclude that no change should be made for the year beginning August 8, 1922.

89—COURT OF INQUIRY—GREAT BRITAIN—TRAMWAY INDUSTRY (1921)¹

This case is given as an instance in which it was judged that the condition of the particular industry concerned made it inadvisable to grant wage increases justified on the "cost of living" principle. The text of the decision does not show that any consideration was given to the condition of industry in general, or to the possibility of the workmen employed finding work in other industries at the wage rates justified on the "cost of living" principle. But it is probable that incidental attention was paid to these questions anyhow. The character of the particular industry concerned was also probably a factor in the decision, since the possibilities of adding to the income of the industry by raising the price of its products are in this industry definitely limited.

Case for the Employees

11 The case for the employees' side is that since June, 1920, the average increases over pre-war rates of pay have remained at 130 per cent. to 164 per cent according to grades. The percentage increase in the cost of living since July, 1914, was 150 per cent. on 1st June, 1920, but since that time the figure rose to 176 per cent. in November, and in January it stood at 165 per cent. After the hearing was concluded the Ministry of Labour published the figure for the 1st February, which is 151 per cent. The percentage advances in wages throughout the war period and since have not moved uniformly with the cost of living figures. The wages application for an increase of 12s per week to adults and of 6s. per week to youths under 18 years of age, in order to meet the increase in the cost of living which had taken place since the wages settlement of 29th March, was put forward as a temporary adjustment, pending the deliberations of a Standardisation Committee which the employees were anxious to have set up.

12. Family budgets were submitted based upon the household accounts of tramway workers varying from an average weekly expenditure of £3 16s. 7½d. for a family of four to £4 9s. 3d. for a family of seven, as against an average weekly income of £3 18s. 7½d. and £3 13s. 9d. respectively. In support of the budgets submitted, in some cases the wives of the tramway workers concerned, and in other cases the men themselves, gave evidence as to the difficulty they experience in

¹ Report of a Court of Inquiry—Tramway Industry—Great Britain 37, House of Commons (1921)

meeting ordinary household and family expenses out of the weekly wage earned including emoluments, and the extent to which they are obliged to supplement their wages. Evidence was given with regard to the nature of the duties of the motormen and conductors including the spread-over system and the interference it causes in the domestic arrangements of their households. It was shown that undertakings selected their employees very carefully and required a high standard of physique, efficiency and intelligence.

13. Stress was placed on the value of the contribution made by tramway systems to the social and industrial life of the country. The employees criticised the plea put forward by the employers of the inability of tramway undertakings to bear an increase of wages, on the ground that the industry was not being conducted on a sound commercial basis. It was urged that the present method of rating undertakings, the statutory obligations for the maintenance of the surface of the highway, and the charging to them of part of the cost of street improvements, placed on this industry an unfair burden which restricts its full development and contributes largely to the existing unsatisfactory financial condition

14. In regard to the municipal authorities, the appropriation to the relief of the rates of past profits which accrued in the working of the tramway undertakings was dwelt upon. Witnesses on this subject expressed the opinion that sufficient provision had not been made in the past for future contingencies, and that there was room for the development of the industry as a whole. In expressing these views no aspersion was cast upon the managerial staff of the several undertakings. The employees' side, however, strongly maintained that wages should not be dependent upon the financial condition of an undertaking at a given moment.

Case for the Employers

15. The total number of tramway undertakings in Great Britain is 162 (of these 65 are companies and 97 local authorities). No application for a wages advance was received in respect of Ireland. The Municipal Tramways Association (Incorporated) represented 79 municipal undertakings in England and Wales, and the Conference of Tramway and Light Railway Companies represented 58 companies in Great Britain. Six of the companies represented by the Conference were in Scotland, and three of these were represented both by the Conference in the general statement made on behalf of their members, and by the Special Committee for Scotland.

16. Fourteen undertakings in Scotland (seven companies and seven local authorities) were represented by the Special Committee appointed to prepare and present their case to the Court. A total number of 14 tramway undertakings in Great Britain (11 local authorities and 3 companies) were not represented before us in any way, including the Cities of Glasgow and Liverpool, which are not members of the Industrial

Council. The employees of the Liverpool Corporation belong to a union not represented on the Council, and their wages have been governed by separate awards and agreements. All the undertakings not represented were circularised by us, and in many cases they furnished the Court with the desired information.

17. The case for the employers was put before us in two separate statements in order to bring to our notice the points of difference between the position of the municipal undertakings on the one hand and of the company-owned undertakings on the other. The case put separately by Scotland included both municipal undertakings and companies

18 *Municipal authorities*—The municipal authorities owning and operating tramways submitted evidence to show that in the year 1913-1914, after meeting operating costs, interest on loans and debt redemption charges usually shown in the net revenue account (including rent of leased lines, etc, but not including any sums put to renewals fund), 18 out of 75 authorities in England and Wales, for which information was obtained, showed an amount of expenditure in excess of revenue of £145,162, and 57 authorities have an excess of revenue over expenditure of £923,179 For the year 1919-1920, working on this basis, 27 authorities showed a total deficit of £259,202, and 48 authorities had a total surplus of £970,258 The total capital expenditure in respect of these 75 municipal tramway undertakings was £39,968,724 up to the end of the financial year 1913-14 and £42,930,019 up to the end of the financial year 1919-20

19 These results for 1919-1920, both as regards deficits and surpluses, have arisen without any consideration for renewals and repairs, which, in the case of the undertakings whether of a deficit or of a surplus, are stated to have been altogether under the normal amounts during the war period Work undertaken since the 31st March, 1920, was stated to have been so costly as to absorb many of the surpluses, while those undertakings where deficits were returned have been subsidised from the rates

20 Notwithstanding the operation of the Tramways (Temporary Increase of Charges) Act, 1920, and the raising of fares by many of the undertakings, the effect, so far as can be judged in the short period that has elapsed, has not been encouraging, the belief being expressed that the economic limit governing the further increase of fares has on the whole been reached, and that the additional expenditure consequent upon the granting of the wages application could only be met by a charge upon the ratepayers Representatives of municipal authorities who gave evidence expressed the opinion that however anxious their councils might be to consider the application of the men their financial position made it impossible.

The employers did not discuss the family budgets submitted by the employees' side. They accepted the figures indicating the increased cost of living since July, 1914, as published by the Ministry of Labour They

entered upon some comparison between the wages paid to tramway workers and those paid to other more or less comparable classes of workers in other industries, with a view to showing that the former were not in an unfavourable position. The employers were in agreement with the views expressed in regard to the relief of tramway undertakings from the harassing obligations which now rest on them, but they contended that this relief would not alter their immediate financial position.

21. *Companies.*—The case for the companies was presented on behalf of the members of the Conference of Tramway and Light Railway Companies collectively. Their position was very similar to that of municipalities in regard to their inability to meet additional expenditure. The net revenue for 51 companies before allowing for renewals, reserve funds and dividends on preference and ordinary shares, decreased from £512,850 in 1913-14 to £405,785 in 1919-20, whilst in the interval large arrears of renewals and repairs accumulated which must now in some instances be carried on by borrowed money. No material alteration has taken place since the year 1914 in the amount of capital issued. The total capital issued at 31st December, 1919, in respect of the 51 companies concerned was £16,565,895

22. The essential difference between their position and that of the municipal authorities is that the company undertakings are run entirely on ordinary business lines and they are unable to fall back upon the rates for support. The only means by which they can derive increased revenue is by raising fares, and, up to the present, their experience of this method has not been favourable

The Case for Scotland

23. The case on behalf of fourteen of the Scottish tramway undertakings, represented by the special Committee appointed on their behalf, was heard separately. It appeared from the evidence submitted by the Scottish representatives that the position of the Tramway Industry at the present time is probably worse in Scotland than in any other district in Great Britain. Following upon the last wages settlement arrived at by the National Joint Industrial Council, the maximum advance paid by any Scottish undertaking is a total of 42s. per week over pre-war rates. In a number of cases, company undertakings particularly, only a part of the total amount due under previous awards of the National Council is being paid. Their case is that it has been found impossible to meet in full certain of the past awards, and therefore it is impossible to consider the question of granting further increases. It was further represented that the housing conditions in the smaller cities, which lead to the concentration of the population in a small area, render it impracticable to derive additional revenue from any further increase in fares. The policy of the Scottish tramway undertakings has been to endeavour to make the rider pay for his ride. Two of the Municipalities (Dundee and Aberdeen) are prevented by Act of Parliament from subsidising the Tram-

ways from the rates, and there are restrictions upon the placing of surplus profits in aid of the rates. In general the municipal tramway undertakings in Scotland appear to have been run on a purely financial basis with the object of giving the tramway users the full benefit of public ownership of the tramway system.

General Remarks

24. Every facility was offered to us by both parties throughout the Inquiry. Comprehensive statements and documents, including the replies to a questionnaire issued at our request, were furnished to us in the course of the proceedings, illustrating the points of the employers' cases as they arose. The case of the employees was most ably and carefully demonstrated by valuable exhibits.

25. We have been deeply impressed by the immense value of the work done by the Industrial Council for the Tramway Industry in which both parties have participated. Industrial Councils appear to have great possibilities for the betterment of the workpeople and the advancement of industries as a whole

Aspects of Tramway Administration and Municipal Policy

26. The tramway is of great public utility as an easy, safe and cheap method of conveyance. It enables large numbers of town and city workers of all classes and sexes to live in healthy surroundings and at distances which would be quite impossible on foot. Perhaps there is not any other vehicle capable of carrying the same number of passengers with the expenditure of as little power. It ought to be the study of all Local Authorities to encourage these Undertakings

Much evidence was given as to the relations financially between Municipalities and their tramways. The balance of opinion is much in favour of the passenger paying for his ride and of running the services without subsidy and without handing over surplus profits to the relief of rates; indeed, the two sides of the Industrial Council have agreed that the rider should pay the cost of the ride in the fare charged. Different practices at present prevail and in our opinion municipal authorities should not be deterred or prevented from taking such steps for the development and convenience of the areas over which they exercise control, as they may think essential for the good of the community. We think, therefore, that this matter is one which must be left for local consideration and decision. Of course the companies are not affected by this; their relations are with the passenger only, and their sole remedy is to raise fares. We recognise, however, that a point may be reached when the passenger is paying as high a fare as can reasonably be charged for the services supplied, and any further increase would defeat its own end.

27. In connection with the statements emphasised by both sides as to the desirability of relieving the Tramway Industry from the mainte-

nance of highways and other charges, we feel that a quotation from the conclusions arrived at in this matter contained in the Report from the Select Committee of the House of Commons on Transport (Metropolitan Area), dated 25th July, 1919, would not be out of place. It is as follows.—

“Your Committee further consider that it is essential that there should be equal financial treatment of all surface means of locomotion which exist by an appeal to passenger traffic. They regard the rating of the trams, and their contribution towards the maintenance of the surface of the roads, as compared with the immunity of the omnibuses from both these charges, as indefensible, and there are, in their opinion, no counterbalancing considerations of sufficient magnitude to induce them to modify this view. At the same time, they do not propound any specific means of dealing with this problem, which would be one of the duties entrusted to the suggested Traffic Authority for recommendation to Parliament.”

No doubt the Minister of Transport has considered the subject of providing some contribution towards the additional cost of road maintenance caused by very heavy vehicular traffic, which may pass through districts that derive no advantage from it, causing damage to the tramway track, the full cost of which is at present borne by the tramway undertaking.

The Wages Claim

28. During the course of the Inquiry we were pleased to see that the reasonable way in which the case of the employees was put forward was met by the representatives of the undertakings in a conciliatory and friendly spirit. There was no belittling of the loyalty and good services of the men of all grades, which were fully appreciated. The issue raised by the employers was inability to pay and the expression of the belief that any further burden would cripple the industry at this trying period when every effort is being made to bring the services into a solvent and efficient condition.

29. We are of opinion that a broad view should be taken of the wages position in this industry. The wages increases have not advanced at the same rate as the cost of living figure since July, 1914, and the application put forward in October, 1920, was intended to compensate for the rise in the cost of living that had taken place since the last wages settlement in March, 1920, and to meet the further increase that was immediately anticipated. Subsequently to October the cost of living figure rose considerably and it has since fallen. We are not in a position to predict its future movements. Having carefully considered the statements and evidence so fully and exhaustively brought before us, we submit that in view of the unsatisfactory condition of the industry and under all the existing circumstances, the position and the claim would be met by the following recommendations:—

1. That the Industrial Council should examine the position of those undertakings which have not observed previous agreements and arbitration awards in regard to wages advances, and the undertakings should be advised that if possible the advances should be paid in full.

2. That the present wages standard should be maintained both as regards municipalities and companies until 31st December, 1921.

3. That the Industrial Council should consider the question of standardisation in the near future, dealing with the various grades of employees in relation to each other, having regard to the earning capacity of the undertakings, and to the interests of the travelling public

4. That the Council should examine the circumstances of the lower-paid grades with a view to adjusting their conditions on a more satisfactory basis.

30 We trust that this conclusion will commend itself to the two sides of the National Joint Industrial Council if you, Sir, should think it expedient to refer the whole question back to them .

90—BRITISH INDUSTRIAL COURT—TEXTILE WORKERS— HILLFOOTS CASE (1920)¹

91—BRITISH INDUSTRIAL COURT—ENGINEERING AND FOUNDRY TRADES CASE (1920)²

It has already been emphasized that the conception that wages should be adjusted with reference to the cost of living is an ethical conception, used by workers to defend the standard of living which they have obtained. In virtually all attempts to apply it, therefore, the question is raised whether the "condition of industry" is such as to make its application sound and advisable

In these two English cases, we see the "cost of living" principle subordinated because in the opinion of the Court the condition of industry ("the value of the work done in relation to the state of trade") was the sounder principle to follow. These cases are printed as illustrations of that view.

From the text of the decisions, it is difficult to tell how much weight was given to the condition of the particular industries concerned, how much to the general conditions of industry.

¹ Textile Workers—Hillfoots Case—British Industrial Court Decisions. Vol. 3. Part II, (1920), pages 50-2

² Engineering and Foundry Trades Case—British Industrial Court Decisions. Vol. 3 Part I, (1920). pages 52-6

90—TEXTILE WORKERS (HILLFOOTS CASE)

On behalf of the workpeople it was submitted that a further advance in wages was due on account of the continued rise in the cost of living. . . .

On behalf of the employers. . . it was further represented to the Court . . . that the present condition and outlook of the trade were such that any advance in wages would have a prejudicial effect on employment, the firms concerned already having a shortage of new orders and in some cases being on short time. . . .

7. The Court have given very careful consideration to the arguments submitted by both sides. They consider that the marked increase in the cost of living which has taken place since the date of the last advance in wages justifies the submission of a claim for a further advance. On the other hand it is clearly incumbent on the Court to consider whether a claim submitted on such grounds is completely met by the statements made respecting the condition of the trade.

8. The Court understand the position generally at the present time to be that whilst the abnormal activity of trade, due directly to the war, is becoming less, and whilst there is a consequent tendency for wholesale prices to fall—a tendency which is shown in different degrees by different trades—retail prices are not yet affected to any very marked extent, and the cost of living shows no sign of immediate or early diminution. This disparity between the course of wholesale prices and the cost of living indicates that the connection between rates of wages and the cost of living is not so close or direct as is frequently contended and that the present high cost of living cannot be attributed wholly, or even mainly, to the present level of wages. It is not for the Court to express an opinion upon the reasons of the continued increase in the cost of living so long after the cessation of hostilities, nor to enquire whether steps might not well have been taken to prevent or alleviate that increase. It is necessary to face the facts as they are.

9. During the war when competition, both abroad and at home, was of considerably less importance than at the present time, there were grounds for urging that changes in the cost of living, brought about largely by the financial policy of this and other countries, should be followed step by step by corresponding changes in wages.

10. It appears to the Court to be clear, however, that the task of restoring stable conditions of industry will be impeded, if not made impossible, if every advance in the cost of living is to be accompanied in competitive industries by a corresponding or proportionate increase in wages. Such a policy might well prevent the necessary adjustment of cost of production to the new conditions of demand and result in dislocation under which the workers themselves would suffer through short time and unemployment.

11. In the present time of transition between the abnormal conditions of war and the ordinary conditions of peace, it appears, therefore, to the Court that some compromise is necessary between the mechanical regulation of wages on the basis of the cost of living and the regulation

of wages solely by reference to the state of the market in the particular industry which might be under consideration. Increases in the cost of living must be allowed due weight as a factor in the situation, but it would be against the interests of the workers and of the whole community that claims for increases in wages on this ground alone should be pressed or conceded to the full extent that might be proper if normal economic processes had not begun to operate. . . .

91—THE ENGINEERING AND FOUNDING TRADES CASE

4 . . . The claims of the workpeople were supported principally on the grounds that the cost of living had increased since the date of the last general advance; that in other trades advances in wages had taken place which were greater than those given in the engineering and foundry trades; and that the condition of the trade would justify a further increase in wages.

5. On behalf of the employers it was submitted that the total advances given were adequate to meet the increase in the cost of living which had occurred since the outbreak of war, and that the commercial position was such that a further advance in wages would be accompanied by grave risks of injury to the trade

6. When the last award was given the officially published index number showing the percentage increase in the cost of living was 130. The figure given in the June issue of the "Labour Gazette" is 150. It should be observed, however, that in November, 1919, when the last published index number was 120, an award (No 870) of the Interim Court of Arbitration, gave an increase of 5s a week in respect of an increase in the cost of living which had not, in fact, taken place but which was anticipated.

The advances of 6s a week on time-rates and 15 per cent on piece prices, which were granted by the last decision (No. 180), were given on grounds other than the increase in the cost of living, and the Court desire to reiterate an opinion then expressed that an alteration in the cost of living, although of great importance, does not in itself, and apart from other considerations, necessarily warrant any corresponding alteration in wages.

7. In the course of the hearing the Court were furnished with information respecting the increases in wages which had taken place in other trades, and the argument was developed with ability on behalf of the workpeople that an advance was due in order that the relative level of wages in the engineering trade should be maintained. Although it is proper to have regard to the wages movements or earnings in other trades the Court doubt whether the restrictive terms of the agreement of February, 1917, permit a comparison with them as a governing factor; in any case, it would appear that at the present time when industrial conditions are still disturbed and when the effects of the war apply with unequal force in different industries, such a comparison would not afford a satisfactory ground for their decision. . . .

8. In their last decision (No. 180) the Court expressed the view that in ordinary circumstances the most important consideration which arises in deciding whether an alteration of the rate of wages shall take place is the value of the work done in its relation to the state of trade. At the time when the award was given the position in the industry was such, in view of the Court, as to justify an increase in rates, and an increase was accordingly granted. The published returns show that the state of employment in the trade is still good; but from the evidence submitted on behalf of the employers it would appear that there are already indications in some branches of the industry of a falling off in demand.

The point to which the Court have particularly directed their attention is whether, since their last decision was given, there has been such an improvement in the state of trade, or alteration of general conditions, as to warrant a further increase in rates of wages. Some sections of the industry may be more active than others but under the agreement of February, 1917, the Court are required to decide what *general* alteration in wages, if any, is warranted by the abnormal conditions due to the war, and hence to have regard to the condition of the industry as a whole. It does not appear to the Court that on such a view the position to-day differs to such a degree from what it was four months ago that the settlement effected by their last decision should be disturbed.

9. After careful consideration the Court accordingly find that the claims submitted have not been established.

92—ARBITRATION—MEN'S CLOTHING INDUSTRY— CHICAGO (1923)¹

93—ARBITRATION—LADIES GARMENT INDUSTRY— CLEVELAND (1923)²

These two cases are illustrations of wage adjustment in accordance with the "condition of industry." They appear to take account both the condition of industry in general, and the condition of the particular industry concerned.

92—MEN'S CLOTHING INDUSTRY—CHICAGO

The Union accordingly makes the following demands for adjustments in wages . . .

1. Return of the reduction in wages made in May, 1922

It is not necessary to review here all the evidence and arguments presented, as this has been done fully in the conferences with the representatives of both parties. We may proceed at once to the opinions reached by the Board as to business conditions generally throughout the

¹ Award of the Board of Arbitration—Men's Clothing Industry—Chicago, (1923).

² Decision, Board of Referees—Ladies Garment Industry—Cleveland, (1923).

country, the condition as well as the prospects of the clothing industry in particular, and what readjustments in the wage levels of the industry in Chicago are required and justified by these conditions and prospects.

Opinion as to Business Conditions

Two of the members of this Board have been making extended studies of business conditions in other connections, and they are of the opinion, both from their independent studies and from the evidence presented in this case, that the upward movement of the business cycle which began in the Fall of 1922 will not advance during the coming year to the highly inflated levels of 1920, on account of the restraining influences which are already beginning to be put forth by the financial and business community in remembrance of that period, but they do feel that the present increases in production prices and cost of living will be continued for the greater part of the year for which the wage level must now be fixed. That production is approaching the maximum of present capacity has been noted by all authorities, and it is well known that labor generally is fully employed, with complaints from many quarters of a shortage of labor. The purchasing power of all industries, as well as agriculture, is increasing on account of both increasing product and higher prices, and stocks of goods, including clothing, have been reduced.

While we are in no position to decide how long these favorable conditions will continue, and as we have noted restraining influences are already at work, still the business opinion of the country has already expressed its view as to what the present conditions require with respect to wages. The textile industry which is closely related to clothing, has raised wages 12½%. The steel industry has granted increases averaging 11%, after it had raised wages 20% last August. The packing industry has deemed it necessary similarly to raise the wages of its employees. In the building trades generally there have been increases, and almost every day the newspapers report wage advances in industry after industry. The clothing industry has been no exception to this movement, and in other markets the wages of clothing workers have also been raised. Whatever may be our opinion as to the permanence of the present business prosperity, we cannot ignore the judgment that business generally has placed upon it by granting wage increases, especially as the clothing workers of Chicago accepted substantial wage cuts in time of depression.

General Wage Award

We are of the opinion, therefore, that the wage level in this market should be raised to somewhere about the level that prevailed in April, 1922, preceding the last of the two wage cuts that have been made since 1920. We do not mean that the exact percentage of the 1922 decreases is to be restored, as it is our opinion that readjustments have to be made in a number of sections which will make the lower paid sections secure a relatively higher percentage of increase than those in the more highly paid sections. For this reason the Board deems it unwise to make the

necessary wage readjustments on a percentage basis, and makes its award in terms of a specified number of dollars per week, as follows:

1. All sections in the shops of the firms under the agreement and their contractors, except those hereinafter considered separately, shall receive an increase of three dollars per week; provided that where three dollars would amount to more than ten per cent the increase granted should be ten per cent and no more. . . .

93—LADIES GARMENT INDUSTRY—CLEVELAND

In December, 1922, we reserved the question of a revision of the wage scale based on a consideration not only of changes in the cost of living but of all the factors involved, and we intimated that if general business conditions should continue to develop as favorably as indications then promised, the Cleveland garment workers might hope to share in the returning prosperity. The last four months happily have borne out the promise of the early winter. We believe that conditions in the garment industry have grown substantially better, and that the outlook for the coming season is good. We are therefore prepared to award a general increase in the wage scale at this time based on these considerations, and upon the increased living costs reflected in the government reports.

94—CANADIAN INDUSTRIAL DISPUTES ACT—WESTERN COAL OPERATORS CASE (1911)¹

This case illustrates a decision (majority decision) governed largely by the condition of the particular industry concerned. The main claim presented was apparently justified by comparison with other industries, and by the cost of living changes.

The situation is one that must be frequently faced in wage disputes. Should a wage increase amply justified on other grounds be refused or cut down because the condition of the particular industry—in contrast to industrial conditions generally—is unfavorable? That is the general question, to be considered in each particular instance by the facts and probabilities of the case.

MAJORITY REPORT

(1) The Board regrets its inability to present a unanimous Report. Mr. A. J. Carter, who represents the United Mine Workers of America, will present a Minority Report. The Board further deeply regrets that after the utmost diligence and care in the securing and weighing of evi-

¹ Report of Board in Dispute Between Western Coal Operator's Association and District 18 United Mine Workers of America, (1911) *Canadian Labour Gazette*, August, 1911, page 150 *et seq.*

dence secured during the investigation, and after the most strenuous and prolonged efforts to harmonize the opinions and attitudes of the parties, that it is forced to report a failure in this respect, in that neither of the parties is prepared to accept the finding of the Board. It is, however, the conviction of the Board, that after due consideration of the equity and of the effect of this decision, the parties will come to an agreement upon the basis suggested.

The problems confronting the Board in dealing with this dispute were so intricate and varied, and the issues involved so vast and far reaching, that the time consumed was far beyond the expectation of any of its members. But having entered upon the task, it was felt that everything but the most thorough and exhaustive investigation would satisfy neither the Board itself, nor the Department, nor the country at large.

In conducting its work, the Board placed itself entirely at the disposal of the parties in seeking to possess itself of the fullest data upon every point. Every mine was visited, every witness called, every grievance probed as each party desired. Sworn documents taken from the Company's book were presented, payrolls were examined, mine officials and union officials were put on the stand. Sanitation was inspected; the cost of living; the cost of coal production; the tonnage output of mines; the selling price of coal; markets, the relation of coal companies to railway companies; these and all cognate matters at the instigation of the parties and on its own motion, the Board faithfully and fearlessly investigated. No information was refused by either party, no inquiry burked.

When it is remembered that in The Western Coal Operators' Association there are eighteen mining companies represented, working lignite, bituminous and anthracite fields, differing in methods of working and in character of seams, with a capital of \$40,000,000, and that in District 18 of the United Mine Workers of America there are eighteen locals, each with its own set of claims and grievances and all united in common aims, it will not be difficult to understand why the Board found it necessary to extend the time of its labours to such a length.

On the question of wages the Board discovered wide divergence of opinion, but, as the investigation proceeded, certain striking features emerged upon the field of inquiry, and prominent among these—an abnormally low day-wage scale. . . . Then too there was brought out into clear prominence the startling fact that out of the eighteen companies only four have paid any dividends, and these four only intermittently, while during the past two years probably two-thirds of the mines have been operated at a loss.

The Board came across the impression, not only among the miners but also in the community generally, that this was due in some cases to mismanagement and in others to collusion with railway companies. It is true there are instances of loss due to mismanagement and to unfortunate experiment, but this is true only in comparatively few mines. As to railway influence, the Board was unable to discover that such influence was used either to depress the selling price of coal or to increase the cost of production. There are instances where a railway company secures the lowest rate on coal, but this is to be accounted for by the

common business custom of giving a better rate where the whole output of product is purchased and where the security is absolute. The Board is of the opinion that under present conditions most of the coal mines in this district cannot without loss increase the cost of production. It is obvious that this fact has a profound influence upon the question of wages. It is equally obvious, however, that in certain cases this influence must be steadily resisted. When the question, for instance, is one of a living wage, the ability of a mine to pay must be disregarded, from the simple consideration that while it cannot be shown to be an absolute necessity that a particular mine should be worked, it is clearly evident that the wages a man receives must be such as to support himself and his family in decency and comfort as Canadian citizens.

In coming to a finding upon the wage scale the Board was governed by certain well defined principles

1. A Living Wage is a necessity
2. In mines operating under the same Association and within the jurisdiction of the same Labour Union, uniformity should prevail, as far as possible
3. In the same mining camp equalization of wages should be sought
4. After passing the limit of the Living Wage the financial standing of the Company should be considered

In the application of these principles to the Day Wage scale the Board found little difficulty. The rates for both Inside and Outside Day men are obviously too low. The Board, therefore, suggests the advance mentioned in the schedule below.

In approaching the Contract Rates the Board experienced more difficulty. Here a great variation was discovered in the wages paid for the same class of work in different mines. For instance, the average wage for contract miners steadily employed in the Alberta Railway and Irrigation Company's mines stands at \$3.54 per day, this being the lowest average in the district. Counting all contract miners in this mine the rate would be lower still. This low rate is partially accounted for by the fact that the character of the mining in these mines seems to demand less highly skilled labour. In other mines general averages for all contract miners for a year showed such variation as is indicated in the figures \$3.98, \$4.62, \$5.46, \$5.61 and \$6.00 per day. This variation is to be accounted for partly by a difference in the contract rates in different mines, but more by the character of the seam, and the method of working. The Board felt little difficulty in deciding that an average over a mine for contract miners of \$3.54 per day was too low, and hence the suggestion that the rates prevailing in the Alberta Railway and Irrigation Company's mines should be advanced three per cent. A higher advance might have been suggested had it not been that already a very substantial increase had been suggested in the Day Wage, which in this particular mine would affect a very considerable proportion of the payroll.

A strong plea was made for a general advance in contract rates throughout the district, but with the exception of Lille Mine, where for

a certain class of work the earnings are too low, and where a readjustment will mean advance, the Board could not see its way to yield to the demand for a general increase of the Contract Rates in the face of the high averages prevailing throughout the district, with the exceptions noted.

The Board might have considered an advance in the case of Michel with a daily average of \$3 96 for all contract miners, and of Fernie with a daily average of \$3 98 for the year 1910, though these rates can hardly be claimed as below a living wage, were it not for the peculiarly trying conditions of the Company operating these mines, and for the strong declaration of the newly appointed manager that by the introduction of new methods he expects to be able to increase the earnings of the men by ten per cent., at least . . .

The following is the schedule of wages suggested .

1. That the Day Wage scale be increased as follows —

Ten per cent. advance up to \$3 00, inclusive

Eight per cent advance from \$3 00 to \$3.50, the latter inclusive

Five per cent advance above \$3 50 . . .

3 An adjustment of the Contract Rate at Lille mine so as to make the rate proportionate to the size of the seam

4. An advance of three per cent. on Contract Rates at Lethbridge.

5 All other Contract Rates to remain unchanged.

MINORITY REPORT

In considering the evidence submitted, and the statement made by both parties, I would consider that the following would be a fair basis of agreement

DAY WAGE SCALE—On rates below \$2 50 an advance of fifteen per cent; on rates from \$2 50 to \$3.15 inclusive, ten per cent; on rates above \$3 15 an advance of eight per cent, with the elimination of all twelve-hour schedules.

CONTRACT RATES—Substantial advances at Michel, Lille, Canmore and mines at and around Lethbridge, with a general advance at all mines excepting where extraordinarily favourable conditions exist. . . .

In support of my position generally, I desire to offer the following arguments

In dealing with the question of wages the Board was asked to make comparisons between the wages paid in this district and in the mining districts of Montana, Wyoming, Washington and Vancouver Island, and it is shown in practically every instance that the rates paid in this district, both contract and day wage, are much lower than the rates for the same classes of labour in the districts named.

Another point that has been forcibly shown in connection with this matter is the phenomenal advances that have occurred during the past

few years in the cost of living. This necessarily curtails the purchasing power of the individual in every case where wages remain stationary.

Another important matter that was drawn to the attention of the Board, and one which appears to have been lost sight of by my colleagues is the effect of the elimination or restriction of the blasting of coal on the wages of contract miners. When the present contract rates were fixed it is admitted that they were based on the understanding that men were allowed to blast their coal. In many of the mines shooting is now prohibited and this undoubtedly places the men in a very unfavourable position compared with the advantages they enjoyed when permitted to blast the coal, and after the evidence by all witnesses on this matter, as to the relative opportunities from a wage standpoint, it would only be equitable and just that the men be compensated in a fair and reasonable manner as they are in other districts when blasting is eliminated.

I find that there have been substantial increases in wages granted on this Continent to all classes of labour, during the past few years, and I am of the opinion that the men working in and around the mines are justly entitled to the same consideration. According to the evidence submitted, the miners have not received any material advances in wages, in fact, a great majority have not received any increase since the present rates were fixed some years ago. It is apparent that the majority of the contract miners in the district are averaging less than four dollars per day, which according to the testimony of every company official should in their judgment be from \$4 to \$5 per day. It has also been freely admitted by all company officials who were examined that they have received substantial increases during the past two years, and this is a further argument in favour of the claims of the miners. At Coal Creek, Michel, Lille, Lethbridge and Canmore, the conditions were most unfavourable to the men, and it was pointed out that in many instances it was an impossibility for the men to make a wage that would, at least, ensure them a decent living. In almost all of the mines, owing to the nature of the winter's experience out in the West, it is an impossibility to give the men an opportunity to work regularly, even if other matters, such as steady trade, railway facilities, &c, are all favourable. It is, therefore, absolutely necessary that a man should have an opportunity of making a fair wage in order to withstand these contingencies. It is quite true that some mines show much above the average, but these are exceptional, and generally the class of work where these wages are obtained is of such hazardous and dangerous character that they are warranted to the fullest extent. This, however, is not uncommon in the mining industry, and it is a fact, that in practically every coal field in the world there are mines at which men earn more than the average wages, consequently I do not think that the men in this field should be singled out regarding this particular feature, or that evidence on this point should be taken to prove that wages generally are exceptionally high. I desire to draw attention to one matter in connection with the averages that were submitted by one company. I refer to those of the Crow's Nest Pass Coal Company. In Coal Creek, the manner in which the Company endeavoured to place statements before the Board was misleading and were [sic] com-

piled in such form as to leave a wrong impression as to what the correct averages were for these particular mines. The method adopted was to show some of the averages of men who had worked under the most favourable conditions and leave out those who had worked under the unfavourable conditions; again in Michel according to testimony, it had been the practice for two men to be loading on one contract check and all the coal sent out would be credited to one man, the other man being classed as a company man, and paid as such. Under this method whatever earnings over \$3 00 were credited to the contract miner would have to be divided between the two men in that place, and while the average would be shown as the full amount received by the contract miner, the actual wages would be less fifty per cent. of the amount above \$3.00. The adoption of this method of payment also clearly shows that the contract rates in such cases are not sufficient for the miner to make wages, hence the necessity for review.

In all cases the payrolls asked for were not submitted, but extracts given that would take up considerable time before any intelligent understanding as to the manner of compiling, or the information they intended to convey, could be reasonably arrived at, and, taking into further consideration that all documents have been kept at all times, almost exclusively in the possession of the Chairman, it has placed me in the position of being able to get only a slight knowledge of the facts they may contain. While the miners were not in a position to submit evidence contradictory to the statements of daily averages submitted by the Companies, it was shown in the case of the Crow's Nest Pass Coal Company that the daily averages submitted did not give any actual idea of the real earnings. In connection with this matter a letter was filed by the Ex-Secretary of Michel Local which was received by himself from the Crow's Nest Pass Coal Company, in connection with certain compensation claims, showing the average weekly amount earned by contract miners during 1909 to be \$12.36. This, I would like to point out, is made up in the manner prescribed by the Workmen's Compensation Act, and should, under the circumstances, be much more reliable information on actual earnings than the other statements submitted by the Company.

The operators have, in many instances, endeavoured to show that the mines were not on a paying basis, but have not during any part of the proceedings contended that they were unable to procure a higher price for their coal. I am of the opinion that an increase of eight to ten cents per ton on the selling price would meet the increases asked for by the men. . . .

95—ARBITRATION—AMALGAMATED CLOTHING WORKERS— CHICAGO (1919)¹

It is entirely possible that if the "condition of industry" principle is applied, demands for wage increases may be made that could not be justified on the "cost of living" principle. As has

¹ Arbitration—Amalgamated Clothing Workers of America and Chicago Cloth Manufacturers, (1919).

been pointed out, trade unions have often repudiated the "cost of living" principle on the ground that it holds labor to a fixed standard. They seek under favorable circumstances to become the beneficiaries of the operation of economic forces.

In this case the question is raised as to how far public interest may properly enter to limit increases made possible by the condition of the industry, beyond such increases as would cover the change in the cost of living. This whole general question (apart from the particular circumstances of this case) is referred to the reader's consideration. The decision expresses the prevailing view that the advance should be favored unless there are strong reasons to the contrary.

Arguments Submitted by the Respective Parties

Coming now to the main issues presented to the Board, they may be considered under two heads (1) Shall any change be made in wages? (2) What changes, if any, shall be made?

The representative of the clothing workers presented requests for increases in wages and maintained that increases were justified because of

- 1 Increased cost of living
- 2 Desire for improvement in standards of living, if the industry can afford it
- 3 The great demand for labor in this industry which would have permitted greatly increased wages by bargains made by individual workers had not the Agreement stabilized and moderated rates of wages
- 4 The increased market value which labor in this industry now commands, as shown by increases in wages in other cities
- 5 The efficiency of this industry in maintaining constant production, thereby making its important contribution to public welfare, both in the economic aspect of doing its share toward keeping costs down as compared with the wastefulness of strikes, and in the general social and public aspect of maintaining order and peace in industry in the midst of a generally disturbed condition in the labor world
- 6 The efficiency of the Chicago market in particular as a piecework market, which makes it possible for the Chicago market to do at least as well by the workers as other less efficient markets, and makes any other attitude hard to justify

Against any increase at this time it was maintained by the representatives of the firms.

- 1 That increases in wages in the industry have more than kept pace with increased cost of living
2. That whatever may be true as to the demand for labor and the consequent market rate of wages, there is at this time a paramount duty to the public not to increase the cost of the necessities of life unless there is a real exigency, which in this case does not exist.

3 That this industry is now in a highly favorable condition as compared with other industries, both national and local, especially when it is considered that only about one-third of those employed are heads of families.

4 That since deflation is bound to come sooner or later, every increase which adds to costs has a tendency in the wrong direction, and will make the inevitable shrinkage more keenly felt

5 That the indirect effects on prices and industry of any increase in wages at this time ought to be considered.

6 That local conditions in the Chicago market, both within the industry and in the relation of this to other industries, make any change undesirable from the point of view of the best interests of the Agreement into which many of the firms have recently entered.

Decision by the Board Upon the General Question of an Increase

After considering and weighing these and other arguments not here recited, and after studying with such care as time has permitted the valuable figures submitted, the Board finds that as regards the relation in the industry between increases of wages and increased cost of living, the contention of the firms is in the main justified. For most classes of workers, the increases hitherto granted have at least been equal to the increased cost of living as estimated by the US Department of Labor. In some cases these increases have greatly exceeded the increased cost of living. In the case of certain groups, however, the figures submitted show that the increase in wages has been considerably less than the increased cost of living.

The general question as to propriety of any increase turns therefore on this: Shall a group of workers be permitted under this Agreement to avail itself of market conditions of supply and demand to improve its standard of living beyond the general level of advancing rates in cost of living, or is it the duty of this Board to refuse such a demand on the grounds of public policy?

In answering this question, the Board believes that it must be governed largely, although not exclusively, by the prevailing principles and policies of the country as embodied in its institutions. In endeavoring to give a just decision, the Board does not feel warranted in setting up a standard too widely at variance with our present social and economic order.

The principles and policies of the United States are, with certain qualifications, those of individualism, or the competitive system. This means that prices, wages and profits are fixed by bargaining under the forces of supply and demand. This general principle is qualified and limited in the case of "property affected with a public interest," such as railways. In private, as distinguished from public or semi-public business and industry, there is a moral disapproval on the one hand for such extremely low wages as make a decent standard of living impossible, and on the other hand, for extreme increases in the prices of necessities of life, but there is no general disapproval of the general principle of profiting by market conditions. In time of national emergency, we used the

word "profiteer" to condemn taking advantage of the country's need for an unreasonable private gain. But in ordinary time, there is as yet no recognized standard for the fairness of prices of various goods, or for relative wages in different industries, other than what the bargainers agree upon. This method may often fail to give justice as measured by various other standards of merit or desert. But for the most part, labor has had to bargain for its wages, and it cannot be expected to forego entirely the advantages which market conditions now afford

Coming, then to the specific concrete situation which confronts us, we have the outstanding fact that very substantial increases to clothing workers have been granted in all the other principal markets in this country and Canada, and in many less important centers. These increases have usually been five or six dollars a week, in some cases, they have been more. In these days when both employers and workers know of such increases and plan accordingly, it is not practicable to treat the Chicago market as an entirely distinct situation to be judged on its own merits, without reference to what is going on elsewhere in the country

Consider next the question how far public interest may properly enter in to limit any extreme use of bargaining power. It may be said in the first place that if there is to be public regulation of any industry or a moral judgment upon wages or prices, this should apply to every stage in the process of production and marketing, it must apply to profits as well as to labor; it must consider not merely figures as to prices and wages, but the actual efficiency or wastefulness of the methods of production and marketing.

Second. In the case of an industry which until recently has been seasonal, and which may again become seasonal, and in which there is no guarantee against unemployment, some greater flexibility in wage variation in order to protect against future hard times is reasonable. The public now recognizes this principle in that it admits greater profits to be warranted in an industry in which there is a great risk than in an industry in which capital is secure and return is stable.

Undoubtedly there is a limit, even if there is no scientific method for setting it, to what even individualism will or ought to approve. Prices of clothing have advanced and are certain to be further advanced whatever may be the decision of this case. In fact, retailers had to place orders for their light-weight clothing before this case was heard, and inasmuch as general increases were asked for in September and granted in other markets in November, it may be presumed that such possibilities were in mind when prices were set for the lightweight consumer. The Board has carefully considered the effect to the consumer of the increase asked for. The fact is that making of clothes under modern methods has come to be an efficient process. A part of the increases in earnings which have come about in the industry has been accompanied by improvement in production. This part of the increased earnings, shown particularly in piece-work production, does not necessarily involve any increase in cost of clothing to the public. The increase involved in this award means a relatively small increase in the cost of clothing.

Finally, the Board believes that in taking into account the interest of the public, it is bound to consider both the economic and the public or social value of continuous production and a peaceful and orderly method of conducting industry. Continuous production, as contrasted with the wastefulness of strikes and shutdowns, is bound in the long run to serve the public. Whatever the issue of any strike or shutdown in industry, the public sooner or later has to pay for idleness. And the social and public value of an orderly, peaceful method of negotiation and arbitration for wage adjustments and all other questions in dispute between employers and employed cannot be gainsaid. This industry, as now organized under agreements which aim to substitute reason for force, is performing an important public service. Both the Firms and the Union members have made certain financial sacrifices for the sake of a larger end. The labor market is being stabilized, good will is being cultivated, responsibility is being built up. This cannot be overlooked by the Board.

96—DECISION—AUSTRALIAN COMMONWEALTH COURT—
FEDERATED GAS EMPLOYEES CASE (1913)¹

In taking account of the "condition of industry" when setting a wage, it often turns out that there are large differences in profits between the enterprises in the industry. There is often a wide spread in the ability of different enterprises to meet a wage demand.

The workers' demands tend to be based on the situation in the more profitable enterprises; the employers ordinarily emphasize the position of the less profitable enterprises. The only rule that can be suggested even for an impartial authority is merely the rule of judgment—what will be the likely effects on the industry and the earnings of the workmen of the higher or lower wage-rates?

This case presents merely an expression of opinion that the rate set must be within the capacity of the less favorably situated enterprises, though the profits of the largest enterprise concerned might enable it to pay a higher rate.

It is evident to me that the men in this union are influenced in their claims made by the very handsome profits made by this Metropolitan Gas Company, especially since the reduction in the price of coal and the introduction of the newest appliances . . . But I have to keep in mind the smaller companies in Brighton and Hobart which as smaller concerns, cannot effect the economies of the Metropolitan Gas Company, cannot produce gas as cheaply; and in fixing the *minimum* wage

¹ Federated Gas Employees Industrial Union vs Metropolitan Gas Company and Others. Commonwealth Arbitration Reports. Vol. 7 (1913). page 71-2.

—not the wage which a far-seeing generosity might dictate—I refuse to be affected by the fact that one of the employers, whether by skillful management or by enterprise, or by the hugeness of its output, or by its good fortune, can make very large profits. . . .

97—ARBITRATION DECISION—TYPOGRAPHICAL
UNION No. 6 (1920)¹

98—ARBITRATION DECISION—NEW YORK PRINTING
PRESSMEN'S UNION No. 51 (1920)²

99—ARBITRATION DECISION—ST. LOUIS PRINTERS'
LEAGUE No. 10 (1920)³

Experience has gone far to demonstrate, in the editor's opinion, that neither the "cost of living" principle, nor the "condition of industry" principle if used one without the other is a completely satisfactory basis for a policy of wage settlement, or a sufficient one. Good judgment requires that the former be constantly supplemented in practice by regard for the concrete economic circumstances of any given wage situation. The latter principle taken by itself is no more satisfactory. For it does not necessarily give any weight to the workers' desire to maintain the existing standard of living during periods of price change, nor to the public interest in the protection of that standard. The principle of the "cost of living" is an expression of the determination that the standard of living should not be reduced unless there is no way to escape that result. The "condition of industry" principle in practice indicates that at any given time the existing economic situation must be taken into account.

We have seen in some of the preceding cases that it is possible to use these two principles to supplement each other. Certain recent industrial agreements have indeed been based on the belief that taken together they form a satisfactory policy of wage settlement (with the addition of the "living wage" principle usually). Such agreements are to be found in the printing trades, for example.

¹ Arbitration—Typographical Union No. 6. New York *vs.* New York Employing Printers Assn (1920).

² Arbitration—Printing Pressmen's Union No. 51. New York *vs.* New York Employing Printers Assn (1920).

³ Arbitration—St. Louis Printers' League No. 10 *vs.* St. Louis Typographical Union No. 8. St. Louis, (1920).

There are two possible ways in which they may be combined in a policy of wage settlement. It may be agreed that they should be given equal and simultaneous attention by the arbitrator, that he should at the same time consider, a) whether any wage change is justified because of a change in the cost of living; b) whether any wage change is just and advisable considering the conditions of the industry. Under this arrangement a wage change justified under (a) may be denied because of (b); and on the other hand wages may be changed because of (b) though the cost of living has remained the same. On the other hand, the agreement may be so drawn up or interpreted as to mean that wage adjustments to cost of living should always be made, and then if the "condition of industry" makes it seem likely that a higher wage can be paid, it should be paid. Under this second interpretation the "condition of industry" principle is put in a subordinate place, is admitted only to meet the workers' objection that the "cost of living" principle by itself leads only to a fixed standard of living.

Reprinted below are three decisions handed down under agreements calling for the use of these two principles in combination. In the first two decisions the agreement is interpreted in the first of the two ways just analyzed; in the third case, the other line of interpretation is exemplified.

All three cases deal with demands for wage increases. Under the same or similar agreements there have been demands for wage decreases. These are presented in the chapter dealing with downward wage movements (see page 327 *et seq*). The reader interested in considering how satisfactory a policy of wage adjustment can be worked out by the combination of these two principles, should consider all these cases together.

97—DECISION—TYPOGRAPHICAL UNION NO 6

The arbitration was held under and pursuant to a wage scale contract which provided for a further readjustment . . . "only as the rate of wages to be paid in such readjustments to be based upon the increased cost of living and the economic conditions of the industry at the date of readjustment."

. . . Under these circumstances the arbitrator is of the opinion that, in estimating the weight of the factor of the increased cost of living in its bearing on the present award, he may properly make some allowance for the error which entered into the January adjustment.

Turning now to the increase in the cost of living from January 1 to the date of readjustment, October 1, the only reliable data are those furnished by the U.S. Bureau of Labor Statistics covering the first six months of the period, which fix the increase at 7.55 per cent, for the City of New York, and this may fairly be taken to represent the state of the case at the date of readjustment. While we cannot shut our eyes to the fact that there have been recessions since June in some of the items that make up a family budget these have not been considerable in amount and have in some degree been balanced by a general increase in rents. There are, indeed, indications that there may be a more substantial reduction in living costs, with the exception of rents, during the next few months but this is too problematical and speculative to be considered as an element in the award now to be made.

The other factor in the problem—economic conditions of the printing industry—is harder to appraise. There is no index number to show the degree of its rise or decline nor any accepted standard of what constitutes a state of prosperity for the industry. It is obvious that the industry must bear the burden of proof by establishing the fact that it is not in a condition to stand such an increase in the wage scale of its workers as the increase in the cost of living would, in and of itself, seem to justify. While the industry need not, to sustain this burden, prove that it would be forced into bankruptcy or even seriously embarrassed to maintain itself, it is not enough to show that its business is not now up to the standard of prosperity of the last few years or of the first nine months of the present year and that it is facing a further decline. It may be in a position to absorb this decline together with a reasonable increase in the wage scale without any serious impairment of its activities or its prosperity. The difficulty was that not even the accredited representatives of the industry had at their command the facts required to justify their apprehensions as to its future.

But, although their evidence on this point fell far short of a demonstration, they were able to show that the printing industry was to a considerable extent reflecting the general industrial depression which has recently set in, as evidenced by a progressive decline in the volume of its business, a marked falling off in periodical advertising, etc., and by that means to communicate some part of their apprehensions to the arbitrator. While the extent and duration of this depression are too conjectural to be capable of exact estimation, they form an element in the situation which had to be taken into account.

In view of all the considerations above set forth it is the opinion of the Arbitrator that the increase in the cost of living justifies a moderate increase of five dollars in the present wage scale and that the industry should be able without embarrassment to sustain this addition to the present cost of operation, the award to be retroactive to October 1, 1920.

98—DECISION—N. Y. PRINTING PRESSMEN'S UNION NO. 51

. . . The arbitrators are also limited, by the agreement, in making readjustments to considerations only of the cost of living and the economic conditions of the industry at the date of readjustment. The re-

adjustment under arbitration concerns the rate of wages in effect since Jan. 1, 1920 and the date for readjustment is Oct. 1, 1920.

What then has been the change in the cost of living from January 1, 1920 to October 1, 1920? . . . On the basis of these two index numbers the cost of living has increased 7.55 per cent. If wages were increased according to this percentage of increase in the cost of living, the actual increase in the basic minimum wage rate would be \$3.47 a week. An increase therefore, of \$3.47 would be possible under the provisions of the contract relating to the cost of living, the economic conditions of the industry permitting. According to strict, literal interpretation, no greater increase would be warranted. However, there are certain considerations relating to the cost of living which make difficult a restriction to such a technical interpretation. These considerations are that the exact increase in the cost of living to January 1, 1920, was not known at the time that the contract was made. Records show that this increase in the cost of living from 1914 to January 1, 1920, was estimated by the union to have been 95 per cent and by the employer to have been 83 per cent. Actually according to the United States Bureau of Labor Statistics it was 103.81 per cent. And it is true that the wages of the pressmen that were increased from \$25.00 in 1914 to \$46.00 on January 1, 1920, show an increase of only 84 per cent, while the cost of living had increased 103.81 per cent. Therefore, the fact that the cost of living increase for January 1, 1920, was not known and was underestimated probably justifies on a cost of living basis alone an increase in the wages of the pressmen larger than simply 7.55 per cent or more than the \$3.47 per week. If the pressmen's weekly minimum basic wage be increased \$5.00 then the new scale will be 104 per cent. increase over their 1914 scale. The figure for the increased cost of living nearest the date of readjustment is 119.2. A full increase of the pressmen's wages to 119.2 per cent increase over their 1914 scale does not seem fair to the industry however when it is remembered that the readjustment of wages is under an existing contract and for a definite period.

But the readjustment of wages may be on the basis of the cost of living, only provided conditions of the industry at the date of readjustment are considered and presumably warrant such an increase.

In regard to general economic conditions it is true that the index numbers for wholesale prices do show a decline. There is considerable unemployment in some industries, and certain industries feel the depression quite acutely. Strictly, the arbitrators are probably confined to a consideration of economic conditions up to the date of readjustment. Practically, however, it is difficult and probably not unwise to observe the movements since the date of readjustment and to endeavor to look forward into the future. It is difficult of course to predict the future but it seems clear that the general business conditions of the country are sound in all fundamentals and the best evidence seems to point to a revival in April or May. The outlook for the future in general is certainly not one of pessimism.

In regard to the economic conditions of the printing industry, there has unquestionably been some evidence of recessions. There is a decrease

in the volume of business and some idle machinery But to show quite conclusively whether the industry as a whole can or cannot stand a small increase in wages necessarily means a rather full and free use of the records of the plants in the industry The industry as seen not over a period of weeks, but over a period of several months, may very well be able to stand such an increase in wages as is provided for in the contract on the basis of the change in the cost of living An increase in wages equivalent to the increase in the cost of living may presumably be made according to the contract unless it can be shown that the industry cannot stand such an increase It should be observed that the terms of the contract make it possible to reopen the matter of the readjustment of wages approximately three months from the present date It is possible, therefore, to have another readjustment on April, 1921

The award is, therefore, an increase of \$5 00 per week on the basic minimum scale of \$46 00, the award to be retroactive to October 1, 1920

99—DECISION—ST LOUIS PRINTERS LEAGUE NO 10

The sole question submitted to me as the Fifth Arbitrator is

"What shall be the minimum scale of wages for hand compositors per week for day work?"

Both sides to this arbitration have submitted for my consideration certain principles agreed upon by the International Joint Conference Council, an organization of the Printing Industry in America in which both sides have representation, together with certain comments and explanations thereon, from the same source These principles, explanations and comments as they have been offered in evidence, may therefore be said to be conceded herein They are as follows

I

First That the industry frankly recognizes the cost of living, as compared to 1914, as the basic factor in wage adjustments

Regardless of the deliberately untruthful propaganda which has been so widely circulated during the past four years, the facts are that the wages of hundreds of thousands of workers have not been increased sufficiently to meet the increased cost of living The inevitable result has been that the pre-war standards of living of these workers have been reduced

The Joint Conference Council, by the adoption of this principle, meets this issue squarely and decisively Since reduced standards of living have been the basic factor in creating industrial unrest, the basic factor in removing industrial unrest is the restoration of at least pre-war standards.

The members of the Joint Conference Council have no thought of establishing a fixed standard of living for any worker, nor have they arbitrarily decided that all of the wage scale of 1914 were equitable. Manifestly some of them were not

II

Second. The industry to pay at least a reasonable living wage; scales below this to be adjusted in frank recognition of the basic principle involved.

The second cardinal point meets another issue squarely and decisively. In some jurisdictions the industry did not pay a reasonable living wage to some workers in 1914. Therefore, in such instances, the application of the first cardinal principle would not provide a reasonable living wage in 1920. It is the determination of the Joint Conference Council to give thorough consideration to the wage scales of 1914, and to find a way to correct these obviously inequitable conditions if it is possible to do so.

III

Third That, when not in conflict with the existing laws of a constituent body, local contracts be for a period not less than three years, and include a clause providing for annual readjustments of wages based upon cost of living, as determined by authorities jointly agreed upon, and upon the economic conditions of the industry at the time of readjustments.

In the third cardinal point the Joint Conference Council places itself on record as favoring agreements which leave the doors open for wages adjustments each year, the extent of such readjustments to be based on the cost of living and the economic conditions of the industry at the time such readjustments are made.

Fair readjustments to meet existing conditions having been made, then the economic conditions of the industry becomes one of the basic factors to be considered. Through the adoption and application of this principle the fixed standard of living absurdity is gassed and effectively eliminated.

These principles seem to me sound, and it remains for me to interpret them and apply them all so far as the evidence and the circumstances will permit, and within the limitations they themselves suggest.

The first principle obviously contemplates that the wage should be adjusted to meet the increase in the cost of living since 1914, so as to prevent the workers' standard of living being brought lower than it was in 1914.

The third factor, "the economic conditions of the industry at the time of readjustment" is not to be considered in making this first adjustment to meet the increase in the cost of living. Note the language, above quoted, accompanying the statement of the third principle, as follows:

"Fair adjustments to meet existing conditions *having been made*, then the economic conditions of the industry becomes one of the basic factors to be considered."

Evidently it is intended, at all hazards, to prevent the lowering of the standard of living below that of 1914.

The second principle is to be applied only where readjustment in accordance with the first principle is not sufficient to give the worker a reasonable living wage, and in the application of this second principle "the economic conditions of the industry at the time of readjustment" are a factor. (Note the language above quoted, accompanying the statement of the third principle.)

Proceeding then to apply the first principle I find that the time as of which I must determine the cost of living to be compared with that of 1914 is October 1, 1920, for it is as of that time that the old contract between the arbitrating parties expired and the new one was made, and it is agreed that my finding shall be effective as of that date.

The employers in their brief assert "that 100 per cent is a reasonable approximation of the increase in the cost of living in St. Louis between 1914 and September 30, 1920."

They submit statistics from governmental and other sources which tend to support their assertion. But these statistics are unsatisfactory because the one that deals with St. Louis alone touches only upon the retail prices of food which it places at 101.9 per cent greater on September 15, 1920 than in 1914. The other deals with the entire cost of living in the whole United States and places the increase between July, 1914 and September, 1920 at 99.4 per cent. Because these statistics show a downward tendency the employers assume that 100 per cent is a reasonable approximation of the increase on September 30, 1920. I will accept this approximation although somewhat doubtfully, feeling that it is very probably too low, because I have no better evidence upon which to base a higher figure.

It may be assumed then that 100 per cent is a fair approximation of the increase in the cost of living between 1914 and October 1st, 1920.

It is agreed that the wage scale in 1914 was \$21.00 per week.

To adjust the wage scale to meet such 100 per cent increase in the cost of living, it must be increased at least 100 per cent or to at least \$42.00 per week.

The second principle to be applied is that the industry should pay at least a living wage.

The employees have prepared a budget, which if accepted at face value, shows a discrepancy of \$10.80 per week between \$42.00 per week and a reasonable living wage.

This budget, however, is based on the higher prices of August, 1920 and is perhaps exaggerated, and I am not inclined to give it full value. But even when so discounted, it indicates to my mind that \$42.00 per week is substantially short of a reasonable living wage. Just how much is not certain. I am inclined to do something to bridge the gap. I feel that each time an adjustment is made, progress should be made toward a reasonable living wage. Of course any adjustment based on this factor should not be violent at any time, for too great a change would be inconsistent with the welfare of the printing industry. And the conditions of the industry should be considered.

I find that the conditions of the industry do not preclude a modest increase on this account. While it is true that conditions in the business world, prophetic, as they seem to be, of readjustment and falling prices, are such that an increase in labor cost may cause the employers some trepidation. Nevertheless, I do not find that in St. Louis there is any present substantial slowing up in the printing business, shortage of work or dropping in prices. There is evidence that some customers are timid about placing large orders, being fearful or rather hopeful

that better prices may be later obtained. But I am not satisfied that at the time of this adjustment, namely, September 30th, 1920, conditions have been substantially affected, and certainly they have not been affected to such an extent as to justify ignoring entirely the factor of a reasonable living wage.

I am inclined to add \$2 52 per week on this account as well as on account of my feeling, above indicated, that the increase in the cost of living is something more than 100 per cent, the basis for the application of the first principle.

This will make a wage scale of \$44 52 per week.

It confirms my judgment to some extent that this wage will make the St. Louis wage approximate the wage obtaining in Cleveland (\$45.00) and Detroit (\$44 75), both cities of about the same size as St. Louis.

My conclusion is that the minimum scale of wage for hand compositors per week for day work shall be \$44 52 per week, effective as of October 1, 1920 and remaining in full effect during the life of the contract which expires on April 30, 1921.

I cannot refrain from expressing my appreciation of the confidence evidenced by my associates on the arbitration board choosing me as the fifth and deciding arbitrator. I have tried to merit this confidence by expressing my honest judgment formed after due consideration of the evidence and principles presented.

Unaccustomed to such controversies I have been delighted with the fine spirit displayed and constantly maintained by the representatives of both sides. The consciousness that this spirit exists gives me courage to hope that my award will be acceptable to both parties.

CHAPTER V

"COST OF LIVING" AND "CONDITION OF BUSINESS" PRINCIPLES AS APPLIED IN DOWNWARD WAGE ADJUSTMENTS

The two principles which come most to the front in wage disputes during periods of falling prices are the same two that have been presented in the preceding sections—the "cost of living" and "condition of industry" principles. It may be pointed out again that while the former of these can become applicable only during periods of price change, the latter may be used even though the price level is stationary or almost so.

During periods of falling prices, as in periods of the opposite character, each of these two principles may be used alone as the sole basis of a wage decision, or they may be used in combination with each other, or (and) in combination with some additional principles—for example those presented in Chapters III and VI. But as a matter of fact the "cost of living" principle is used as the sole or dominating principle of wage settlement during periods of price reduction far less often than under the contrary circumstances. For while both social and economic reasons can be given in support of the use of this principle when prices are rising, the social or ethical reasons do not apply during periods of declining prices. It is rarely argued that justice or social welfare require that wages must be reduced just because the cost of living falls. The ethical presumption inclines the other way. Other reasons of an economic character are usually adduced in support of the demand for reduction—reasons which emphasize the need of industry for the reduction; some form of the "condition of industry" principle in short. So that in wage disputes arising under conditions of falling prices primary consideration is apt to be given to the economic circumstances, rather than to changes in the cost of living. If the cost of living has been falling, wage reductions urged on economic grounds usually meet with less resistance than they would otherwise. Such is the way the two principles are ordinarily used in controversies over wage reductions during periods of price decline.

If the "condition of industry" principle is invoked to support a reduction even though there has been no decline in the cost of living, it may obviously come in conflict with the cost of living contention, the essence of which is the determination that real standards once attained should not be reduced.

It is well established that the economic conditions characterizing one period of price decline may differ greatly from those characterizing another period of price decline. The industrial situation accompanying the price decline all depends upon the causes, degree, rapidity, and even geographical extent of the decline. The truth of this observation is illustrated by the difference in the condition of industry during the sharp drop in prices that took place in the United States in 1921-1922, as compared with the condition of industry during the gradual price decline in the first quarter of 1924. Each period of price decline, each period of depression is to some extent unique. Equally important for the problems of wage settlement is the fact that the various phases of each period are different from each other. One month prices may tumble rapidly, the next month may remain stationary, the next month fall again—with a similar irregularity of movement and change in the condition of industry. In some instances the condition of industry may be very poor though prices are hardly changing; in other instances they may actually improve though a decided price decline is occurring.

Each period of depression, each period of price decline must be made a study in itself in the settlement of wage differences. The problem of policy presented may be phrased as follows: considering the existing condition of business and the influences determining it, considering recent price movements and the price situation and the causes of these price movements, are wage reductions essential to the improvement of business, and will they really contribute to improvement rather than hurt the situation? It is plain that the sound application of the "condition of industry" principles requires a thoroughgoing study of all the economic facts and tendencies bearing upon each case.

We are only at the beginning of our knowledge of the different trains of events which bring about business depressions. There is far from complete agreement as to what policy should be pursued in regard to prices and wages during these periods.

As the following cases will show, the trade unions tend to uphold the view that drastic wage reductions during periods of depression do harm rather than good. On the contrary most employers are apt to hold the view that nothing in the way of recovery is possible without decided reduction in labor costs. Each trade union is naturally influenced in its opinion by its determination to protect the interest of its members. Employers on the other hand are apt to form an opinion with their gaze upon only the situation in their own enterprise and industry, and cannot be expected to speculate very much upon the matter of *general* policy. It is possible that the soundest policy to adopt will differ according as to whether there is any chance of developing a unified policy throughout industry. It is hard to escape the conclusion that if the condition of industry is one of depression, and if wage reductions are being put into force generally, the same policy must be followed in any particular industry, unless its condition is definitely exceptional. On the contrary if wages are being held up in most industries, by agreed policy or otherwise, a case can be made out against reduction in particular industries unless very clear necessity is shown.

In discussing the "condition of industry" principle in the introduction to the preceding chapter, the question was raised whether consideration should be limited to the condition of the particular industry concerned in any dispute, or extended to the condition of all industry. This question comes to the front in controversies over wage reductions. The condition of individual industries may greatly differ from that of industry in general. Individual industries often escape a general depression, or run into troubles which do not affect industry in general. The conclusions regarding policy which were ventured in the previous chapter seem to me to apply equally to controversies over wage reduction. Both general conditions and conditions in the particular industry should be given weight, but the latter should be the primary basis of decision. The study of general business conditions should be used as a check and correction. Wages in a particular industry should not be reduced merely because of a general business depression if the industry itself does not require it—or at least should not be reduced as much as if the contrary were the case. Nor when a particular industry finds itself in a depression which is not of a general character, should wages in that industry, as a rule, be reduced too far below that paid for

comparable work in other industries. But no general rule can be formulated which would be suitable to all situations. Each case must be judged by itself, each possibility probed.

The cases printed below illustrate the application of the "cost of living" principle during periods of falling prices. They also show that during such periods the "condition of industry" tends to become the chief subject of consideration rather than the fall in the cost of living. The fall in the cost of living is apt to be given as the reason why wages can be reduced without causing hardship, rather than as the reason why wages should be reduced. The cases also illustrate claims for wage reduction based on the "condition of industry" though there has been no fall in the cost of living. They are only a meagre sample of the variety of cases which have arisen for settlement.

Yet it is hoped they are adequate to give the sense of this variety, and of the need of examining the facts of each if a satisfactory policy of wage settlement is to be pursued. Neither the cases nor this summary introduction contain very much, however, in the way of systematic analysis of the economic problems presented. Nor is such an analysis to be found anywhere in the literature of wage controversies, as far as the editor knows. The reader is referred to the bibliography given on the subject—particularly to the writings on Business Cycles.

100—DECISION—U.S. RAILROAD BOARD—NEW YORK CENTRAL RAILROAD CASE, (1921)¹

101—DECISION—BRITISH INDUSTRIAL COURT—BREWERY WORKERS CASE, (1921)²

The two cases printed below are simple illustrations of the use of the "cost of living" principle in wage revision downward, and fairly typical of the circumstances under which it is ordinarily used.

100—NEW YORK CENTRAL RAILROAD CASE

Following the raise in wages granted by this Board in Decision No 2, and to some extent based on that, the Interstate Commerce Commission

¹ New York Central Railroad Co. *et al.* vs. Brotherhood of Railway and Steamship Clerks, etc. Decision No. 147. Decisions of the United States Railroad Labor Board, Vol. II, pages 133-41.

² Decision No. 688—Brewery Workers, British Industrial Court Decisions, Vol. IV, (1921) pages 60-3.

granted an increase of rates to the carriers which was put in force, but after this there came the inevitable pause in the rising tide of prices and business followed by the like inevitable recession, and in some lines a disastrous fall in prices, and the resulting cutting down of production. This has affected all lines of industrial life all over the United States and produced conditions which have to be met and in whose burdens all have to share. . . .

The Board proceeding under the methods outlined, while not attempting to set out all the findings in detail, for the information of the public and those directly interested, may here briefly outline some of its findings which have been considered in reaching the results herein announced.

It finds that since the rendition of its Decision No. 2 there has been a decrease in the cost of living. What that decrease has been it is impossible to state with mathematical accuracy or even what the general average for the United States has been up to and on any given date. The machinery for procuring and stating with accuracy the data to fix this is by no means perfect. The decreases vary greatly according to the locality, and affect different people in different degrees. In some localities the general decrease has been greater than in others. In the cities the general decreases in some lines have been offset to some extent by the high rents. In some of the items or products that enter into the costs of living the fall in prices has been great; in others, much less.

The board also finds that the scale of wages for similar kinds of work in other industries has in general been decreased. The same conditions are also found as to this element. It is practically impossible to find any exact average line of decrease for the entire country. The decreases vary in different industries and in different localities, and in some instances with different industries, individuals, or corporations. In some places and classes the decrease has been heavy; in others not so great. There has been a decrease, and the tendency is at present downward.

But the most unfortunate condition is that in many localities large numbers are out of employment on account of the prevailing depression, and hence without wages.

On these elements and the others prescribed by statute to be considered, the Board has looked to the general conditions existing and brought to its attention, as well as the evidence offered as to particular localities and carriers.

In a decision of this character it is not practical to fix rates applying with exact ratio to each individual employee and each separate locality, for the reason that necessity compels the Board to accept certain standardizations of pay for railroad employees. But these standards are now somewhat different in different regions, and so the decreases will have relatively the same general effect.

The Board believes that based on these elements shown, i.e., the decreased costs of living and the general decrease in the scale of wages in other industries, that the decreases herein fixed are justified and required. . . .

101—THE BREWERY WORKERS CASE

5. The present claim of the employers for a reduction in wages was based mainly on the grounds that the workers concerned had received substantial advances in wages since the outbreak of the recent war; that when the last advance was given the official index number of cost of living (at 1st August, 1920) was 155 per cent over the pre-war level; that the latest published index figure was 122 per cent., which fully justified a reduction for adult male workers to 63s a week, to which sum the wage was increased in March, 1920, when the official index number was 130 per cent; that reductions had already been made in the wages of other classes of employees (such as carters, motor drivers, coopers and building trade employees) engaged in the industry in the Blackburn district; and that reduction had also taken place in the wages of brewery workers in other districts from which competition was encountered.

6. The proposed reduction in wages was opposed by the unions on the grounds that the pre-war wages were very low and that the wages now paid were barely sufficient to enable a fair standard of living to be maintained

7. It was agreed by the unions that the terms of reference were such as to enable the Court to give directions on the question raised by the employers regarding the future regulation of wages on a cost-of-living scale basis. The employers expressed the view that the amount of the wages paid for casual labour was mainly influenced by the cost of living, and that a scheme based on the cost of living was a simple and ready way of determining the wages that should be paid by obviating any necessity for negotiations and conferences; that such a scheme had already been introduced, or was under consideration, in the brewing industry in other districts; and they suggested a scale under which wages should vary by 1s a week for each 5 points rise or fall in the cost-of-living index figure

8. The unions objected on principle to any scheme for regulating wages on the basis of the cost-of-living figures, and they urged that the procedure laid down in the agreement of July, 1917, should be adhered to.

9. The Court are of opinion that a case has been made out for a reduction in wages, and that having regard to the evidence submitted and to all the facts of the case, the proposal by employers in this respect is not unreasonable. . . .

102—CANADIAN INDUSTRIAL DISPUTES ACT—CANADIAN NATIONAL RAILWAYS CASE, (1922)¹

As was stated in the general introduction to this chapter, there is usually a reluctance to apply the "cost of living principle" in a downward direction, unless it is shown that the re-

¹ Report of Board in Dispute—Canadian National Railways and Employees, (1922). Canadian Labour Gazette November, 1922 pages 1160 *et seq*

duction is necessary for other reasons. This is apt to be particularly true when the wages of the poorest paid groups of wage-earners are in question. This decision is an illustration of this fact (see also Case No. 108).

MAJORITY REPORT

... After giving careful consideration to the arguments and later reading the briefs submitted, the undersigned members of the Board are of the opinion that the justification for the proposed reduction in wages of the employees, whose case is submitted, would depend largely upon whether their rates of pay after the reduction would be sufficient to support them and their families in health and decency. A mass of evidence in writing was submitted by both sides and oral evidence was taken at Toronto and Montreal. Although this evidence was to some extent unsatisfactory, on account of the impossibility of obtaining any scientifically correct family budget, though many budgets were submitted, it would tend to show that the rate of pay of the employees in question was much below the cost of family budgets prepared by different organizations, and set out in the statements submitted. It would appear further that the proposed reduction affected the lower paid employees of the railway who were poorly equipped to combat any such reduction. Similar positions not covered by the schedule were not reduced. The railway endeavoured to show that many of the positions were filled by some unmarried men, and more unmarried women, and, on this account, the railway was justified in having a low rate for these positions. It was suggested that some differential should be made between married and unmarried employees, and between men and women employees, but this did not meet with favor from either side. We consider that any recommendation of such a differential is not in the scope of our duties. If employees, whether married or unmarried, men and women, are to be treated alike, and ability and seniority to be the only test, then in our opinion the position of a married man with a family is the paramount consideration, and he should be left with sufficient to rear that family in health and decency.

The trend of the cost of living was fully discussed and evidence submitted by both sides. At the request of the Chairman, Mr. Charles W. Bolton of the Statistical Branch of your department also submitted figures and charts compiled by him. His figures did not include all the items of the family budget. The figures submitted by him showed a decrease from point 160 to point 152 between July, 1921 and July 1922, and since that time a slight upward tendency. This decrease in cost of living according to his figures is about 5 per cent, and he at the same time admitted that in the compilation of his figures there might easily be an error of 5 per cent. Again, the probability of an increase in the price of fuel for the coming winter compared with that of last winter could easily bring the cost of living higher. On the evidence submitted and statements made we are of the opinion that there is little or no decrease in the cost of living.

from the time the present rate of wages was fixed in 1921 until the time the evidence was submitted to us.

The Canadian Northern and Canadian Government Railways were not paying before they were amalgamated and had to be taken over by the Government because of the large deficits. Evidence was submitted to show that the amalgamated roads are steadily improving their financial position. It should not be expected that these roads would so soon be on a paying basis, and it should not be forgotten that these roads were built mainly for the purpose of opening up new territory, the development of which has been retarded on account of unfortunate conditions brought about by the war. These low paid employees should not be asked to bear more than their share of a burden which should be carried by the country as a whole.

At the present time, on account of industrial unrest and the absolute necessity of the smooth working of the railways of the country and particularly so as not to interfere with the movement of coal and wheat, it is essential to the welfare of the country that there should be hearty co-operation between the railway management and the employees. The proposed cut in wages would tend to prevent this desired co-operation.

In view of the above reasons we would recommend that the proposed reduction in wages of the employees concerned should not be made . . .

103—ARBITRATION—MIDDLESEX AND BOSTON STREET RAILWAY, (1921)¹

104—BRITISH INDUSTRIAL COURT—CLAY INDUSTRY CASE, (1921)²

These cases illustrate wage reductions based upon both "the cost of living" and "the condition of industry" principles

103—MIDDLESEX AND BOSTON RAILWAY CASE

It is admitted by both parties to the controversy that the financial condition of the Company is at present very unfavorable. It would appear that the Company's affairs are capably, honestly and economically administered; that it is not over capitalized, but possesses sound assets for every dollar of its invested or borrowed capital, that no added income would probably result from a further increase in fares and that any possible improvement in its financial condition must therefore come through a reduction in operating expenses unless the public is willing to assume a portion of its economic burden through the medium of additional taxation.

¹ Arbitration, Middlesex and Boston Street Railway Co., vs. Amalgamated Association of Street and Electric Railway Employees, Boston, (1921).

² Clay Industry Case. British Industrial Court Decisions. Vol. III. pt. 1 (1921). pages 14-16.

It is stoutly maintained by the Association, however, that the financial condition of the Company has no bearing whatsoever upon the question of establishing a proper wage. It is undoubtedly true, as contended by the men, that the financial condition of the Company does not affect at all the prices paid for cars, for ties, for rails or for other supplies, but it must be admitted that the Company is obligated by the dictates of sound business principles to purchase these materials in open competition at the lowest possible price which the market affords. If the Company were to apply this same policy today to the securing of labor, it is possible that savings might be affected which would very nearly if not quite re-establish its financial status upon a reasonably secure basis. . . .

The Company has disbursed no dividends to its stockholders since 1917, when it paid only $1\frac{1}{2}\%$ on its capital stock. It has not been able for several years to set aside sufficient money out of earnings to cover depreciation charges nor has its income been sufficient to maintain its physical property in a satisfactory state of repair. On the contrary, a deficit has accrued which, if permitted to increase must lead ultimately to a receivership and possibly to a complete suspension of operations.

Under these circumstances the arbitrators do not feel warranted in establishing a wage for the employees which is in excess of a just compensation based upon all the attending conditions.

The total increase in wages granted to the men since 1913 is materially greater than was the rise in the cost of living during the same period. Relatively, therefore, the men were much better off at the peak of prices than at any previous time. If then, their wages are now reduced to no greater extent than living costs have declined, they will still be more prosperous than during pre-war years.

According to the reports of the Massachusetts Commission on the Necessaries of Life, the cost of living decreased approximately 21% between July 1, 1920 and July 1, 1921. Statistics of the United States Bureau of Labor give the reduction in the city of Boston for eleven months prior to May 1, 1920, as slightly over 17%. It cannot be assumed of course, that living costs will permanently continue at the present level, and it is probable that there will be frequent fluctuations until such time as general conditions become more or less stabilized. It would seem, however, that if present wages were reduced no more than 15% there would be little likelihood of living costs again overtaking income during the ensuing year. The resulting rate would still be considerably in excess of labor costs if based solely upon the rule of supply and demand, but inasmuch as the Company has benefited in this respect during the period of rising prices, it is only fair that a similar consideration should be granted to the men when the situation is reversed.

104—THE CLAY INDUSTRY CASE

1. The matter was referred under the Industrial Courts Act, 1919, by the Minister of Labour to the Industrial Court for settlement.
2. Representatives of the parties were heard in London on 4th May, 1921.

3. The industry represented by the Interim Committee is a composite industry in which the various sections engaged, though closely related so far as manufacture or making is concerned, are in many respects distinct from one another. The industry covers a wide range of manufactured products which include common and facing bricks, glazed bricks and terra cotta, roofing tiles, drain and conduit pipes, firebricks, silica bricks and enamelled sanitary fireclay. The Interim Committee would appear to represent about 70 per cent of the whole industry

4. The bulk of the workers are described as unskilled. The total number concerned is stated to be in round numbers 150,000 of which number women and girls, engaged principally in the firebrick industry in the Stourbridge district, form about 3 per cent.

5. The industry is in the main a piecework industry. The advances which have been made from time to time during the war period have been weekly advances, paid as such to timeworkers and paid to pieceworkers in the form of proportionate increases in piecework prices. The first advance was a flat advance of 12s per week granted to all workers without discrimination as to sex or age in September, 1917, under an Order of the Minister of Munitions, but the advances which followed varied in amount for the different grades and ages. The last advances were granted by agreement in October, 1920.

6. The last advances referred to appear to have been granted on the ground of the increased cost of living. The previous settlement had been made in April, 1920, when the official cost of living figure stood at 130. In October, 1920, the official figure was 161.

7. The cost of living figure is now 133, so that *prima facie* there is ground for a claim that wages should now be reduced at any rate by the amount by which they were advanced last October. The employers, however, claim that considerably larger reductions should be made, basing their claim partly on the fall in the cost of living and partly on the state of trade. They contend that, as things are, the industry is hampered by high costs of production and in particular by the high cost of labour. With regard to the state of employment in the industry they state that whilst there is a certain amount of unemployment in the sections which manufacture firebrick and silica bricks, glazed bricks and terra cotta, employment is still good in the sections connected with the ordinary building trade. They point out, however, that even in these sections contracts for the supply of building brick have recently been suspended pending a reduction in contract prices.

8. The employers submit that for the lowest grades of labour concerned the advances granted represent an increase over pre-war wages of 235 per cent. in the case of men and 360 per cent. in case of women, the estimates being based on pre-war wages of 20s. per week and 10s. per week, respectively. They hold that the wages of women and of juniors have been unduly advanced as compared with the wages of the men concerned and they in consequence propose heavier proportionate reductions in the wages of women and juniors than in those of the men.

9. The unions in opposing the reductions submit the following contentions, (1) that the wages paid are no more than fair remuneration for

work, which is laborious and often inimical to health, (2) that higher rates are being paid by certain firms not represented on the Interim Committee and (3) that the wages paid to the workers concerned form such a small part of the total cost of building that the economies to be effected by wage reductions would be negligible

10. The Court have carefully considered the evidence submitted and the contentions of the parties. They realise the difficulty of arriving at a general estimate of conditions, and making satisfactory wages adjustments of a uniform character in a composite industry of this kind owing to the varying degree to which the different sections of the industry are affected by the present depression. They are satisfied that the interests of the industry as a whole call for some reduction in labour costs. They are of opinion, however, that the reductions in the wages need not under present conditions exceed in amount the last advances which were granted.

105—ARBITRATION—LADIES GARMENT INDUSTRY— CLEVELAND, (1921)¹

This case illustrates a downward adjustment of wages based on both the "cost of living" and "condition of industry" principles—special attention being paid to the condition of the particular industry concerned.

The conclusions as to wages tentatively reached at the December hearing, insofar as they were based on changes in cost of living, were based not only upon a reduction in the cost of living up to that time, but upon a prospective further reduction. The evidence brought forward at the March hearing has not changed the conclusions that we then reached on this question. The actual reduction in cost of living in the intervening period corresponds approximately to the estimate made in December. On the one hand, we are satisfied that it would be unjust to the workers, in view of the present cost of living, to restore the November, 1918 scale of wages. On the other hand, we are satisfied that there has been a substantial decrease in the cost of living from the period on which the December, 1919 award was based. That award was based not merely on the then existing cost of living, but upon a prospective continuing increase for a period of some months which did actually occur as anticipated.

In making the present decision we are influenced now, as we were at the time of the December, 1920 meeting, not only by the change in the cost of living but by the serious situation that then confronted and still confronts the industry. There can be no question as to the heavy losses sustained in this as in many other lines of business by merchants who had stocks of goods and raw materials when the business depression started. There can be no question of the general business depression that

¹ Decision of the Board of Referees—Ladies Garment Industry—Cleveland, (1921).

has prevailed in this and in most other industries in this country for a very considerable period. There is no doubt in our minds that one of the elements most essential to the restoration of confidence on the part of consumers and to a stimulation of their desire to purchase even the necessities of life is a reduction in the retail cost of goods. We are further agreed that irrespective of the exact percentage of labor cost to the total production cost of garments, the retailers and the consuming public will not be satisfied that prices have reached a fair level at which dealers may safely purchase in such quantities as will enable manufacturers to conduct their factories without fear of further decline in prices, until they are convinced that there has been a reduction in the cost of each element entering into the garment that they are asked to buy.

We now, therefore, restore, effective May 1st, 1921, the July 1919 scale. . . .

106—REPORT OF BOARD—DOMINION COAL COMPANY DISPUTE— CANADA, (1921)¹

This long case is printed almost in full as an example of a well argued controversy over a wage reduction based mainly on the condition of the particular industry concerned. The company based its demand for wage reduction upon the present and prospective condition of the business, and the fall in the cost of living. The union argued that the reduction was unnecessary considering the surplus that had been accumulated out of past profits; it also disputed the business prospects of the company. Finally it took its stand on the ground that the reduced wage would be less than a living-wage.

The case illustrates the difficulty of getting workers and employers to accept the same view of the condition of a business. It brings up the question of whether it is sound and wise to draw upon accumulated surplus to maintain wages (even if such surplus is liquid and available).

In an incidental fashion the workers challenge the methods and efficiency of the industry. Is it desirable that an impartial arbitrator take heed of any such contention (even if it is well supported) in settling a wage dispute? Can he aim to effect any improvement in business methods by means of his award? This last question is certainly one of power and policy, as well as one of principle.

¹ Report of Board in Dispute between Dominion Coal Co., *et al.* vs. District No. 26 United Mine Workers, (1921). Canadian Labour Gazette. February, 1922. page 142 *et seq.*

REPORT OF BOARD

In the matter of the Industrial Disputes Investigation Act, 1907, and of a dispute between the Dominion Coal Company, Nova Scotia Steel and Coal Company, Acadia Coal Company, and certain of their employees, being members of District No. 26, United Mine workers of America.

The Board considers this a very unusual and exceptional case, therefore they intend to quote in their report enough from the exhibits filed by the parties to the dispute to fairly state the facts as presented to the Board.

Under date of 31st December, 1921, Mr. McDougall addressed the Hon Minister of Labour about meetings with representatives of employees concerning a new agreement, and attached copies of certain letters to and from representatives of the men we now quote.

29th October, 1921.

"J. B McLachlan, Esq.,

Secretary-Treasurer.

United Mine Workers of America,
District No. 26, Glace Bay, N.S.

"Dear Sir;

"We think it desirable to notify you at this time that business conditions compel us very reluctantly to ask for a reduction in wages that shall be effective at the expiry of the current agreement. A schedule of rates will be handed to you on November tenth covering the Dominion Coal Company's mines in Cape Breton and Springhill.

"In making this announcement to you we would state the Company does not desire to reduce wages, and the management would be happy to continue the present rate of wages did markets and prices permit, but, unfortunately, they do not.

"We do not propose a wage reduction greater than business conditions make necessary, or one that will lessen the earnings of the mine workers to a point that will bear onerously upon them when there is taken into consideration the decreased cost of living that has developed since recent wage increases were agreed upon.

"A reduction in wages is necessary to enable this Company to maintain its two main avenues of disposal of coal; namely, the sales to general consumers of coal, and sales to the steel plants

"General coal sales comprise three main outlets, namely, the Montreal market, the railways and bunker sales, and in all three cases the Company must meet the competition of coal-producing countries where miners' wages have undergone heavy reductions in recent months, or where wage reductions will in all probability take place before the opening of the St Lawrence navigation next spring.

"Apart from a likelihood that coal will be sold in the United States at the pit mouth at lower prices next spring than was the case during the summer of 1921, the lessening premium on New York funds and the certainty of a substantial reduction in railway freight charges will combine to reduce the delivered price of coal in the Montreal market next summer, and will very substantially lower the selling price of our own coal there.

"As you know, if we bank coal during the winter it cannot be sold before the summer of 1922, and payment will not be received by the Company until July or August of next year. The wages paid to the mine workers during the coming months must therefore be calculated on the selling prices of next summer, and it is necessary to effect a reduction in wages before this Company can plan a programme of output and banks for the coming winter. No banking programme can be undertaken under existing wage rates, as the coal would cost us more than we could sell it for.

"With regard to coal supplied to the steel plants, we may state, briefly, that at current rates of wages at the coal mines we cannot mine coal at a cost which will permit that coal to be used to manufacture steel under commercial conditions.

"While the Company is compelled to ask for a reduction in wages in order to enable it to sell its products, it is fair to point out that the increases given to the workmen since 1914 were successively asked for and granted to meet the increased cost of living.

"These increases have totalled 120 per cent in general application, but in individual instances have been much greater.

"The increase of last November was given to meet the rapid jump in living costs which took place in the summer of 1920 and reached the peak in July, 1920, at which time the total costs of living were 100 per cent over those of 1914. Since that date living costs have fallen to a point that is between 50 and 60 per cent above 1914 costs.

"Wages are therefore 120 per cent above 1914 figures and living costs are from 50 to 60 per cent above.

"As the Company has no fund from which it can pay wages unless these are at least equalled by the selling price of the products, it has no alternative but to reduce wages, but in view of the substantial decrease in the cost of living, the management feels that no hardship will be imposed upon the workmen.

"The alternative to a reduction in wages is such a restriction of the Company's ability to produce coal at market prices as will cause general idleness at the collieries. With a reduction in wages sufficient to meet market prices the Company will be able to avail itself of its usual markets.

"The likelihood of fairly steady employment under a lower scale of wages or work for one or two days per week under the existing scale of wages, are the alternatives imposed by the business conditions of the time, conditions that as stated are not within the Company's power, or the power of your organization to modify or control, and we submit this to your earnest consideration. . . ."

The Board asked that the applicants for the Board (representatives of the employees), submit their evidence and statements first, followed by evidence and statement from representatives of the companies, and stated that the Board would then receive evidence and statement in rebuttal from both parties to the dispute, and that procedure was followed. Mr. Baxter, President of the United Mine Workers of America, opened

their case by ably reviewing the situation at some length and later filed the following typewritten statement:

The British Situation

"The officials of the Coal Companies, when at Montreal, stated that the competition from Great Britain was threatening their markets on this side I admit that it is true that cheap coal is coming in from Great Britain, the same being sold at \$4.75 at New York. But this should not alarm the companies of this province, as we know that is only a temporary condition of the trade, when we consider the selling price of coal at the mines in Great Britain is as follows:—

Current Quotations British Coal f.o.b. Port, Gross Tons		
	Dec 24	Dec 31
Cardiff ·		
Admiralty, large	26s.	25s. & 26s. 6d
Steam smalls	19s 6d.	18s 6d. & 19s. 6d.
Newcastle ·		
Best Steams	25s	23s 6d & 24s
Best Gas.....	22s.	21s. 6d & 22s.
Best Bunkers	21s 9d	21s & 22s.

"The above prices can be easily met competitively by coal produced in this Province, and in our opinion there is not enough coal sent into the American markets to materially affect prices.

American Competition

The companies in their statement to the Minister of Labour claim that they cannot compete with reduced prices on account of some sections having accepted wage reduction We admit this to be true, that some sections have got a cut in wages, but the percentage of coal produced in these fields does not govern prices of bituminous coal on the North American Continent, but the agreement negotiated by and between the U. M. W. of A. and the various operators' associations of the North American Continent does establish a rate upon which to base the market price of this commodity This settlement will not be known until the expiration of the present contract which expires March 31st, 1922.

Therefore we believe in face of this condition that the *status quo* or the present rate should continue to prevail until April 1st, 1922.

Cost of Production

"We do not have access to the companies' cost sheets We are denied that privilege, but we have an opportunity to make calculations which they cannot deny us. We have several mines producing three long tons of coal per day, per man Three tons of coal at the mine mouth is equivalent to \$18.00 value produced per day per man. Six dollars is much

more than the average wage in these mines, but for the sake of easy calculations, we will call it six dollars. Hence the actual wage cost per ton must be two dollars. These conditions could be developed in all of the mines by practical and economic management, and would consequently obviate the necessity of the present management procuring a reduction in the existing wage rate, and we deny the justice of the companies' proposition in an attempt to reduce the miners' wage or to penalize them in any manner for the impractical and uneconomic management of the mines in this District.

Values

"The companies have informed us that they have no intention of sustaining any loss at the present time. We feel that companies should not be averse to sustaining some loss during this period of readjustment. The accumulated surpluses of these various companies which were created from 1916 to 1920 inclusive have now increased in purchasing power 35 per cent according to the figures given by the Companies in their own exhibits. Not being satisfied with the automatic increase in the value of existing surpluses they now seek to penalize the miner in reducing the number of dollars that may be earned by the miner, which will result materially in reducing his present standard of living. The miner contends and believes that he and his family are entitled to more than a wage that merely covers the cost of maintaining himself and family. He is surely entitled to a wage that will permit him to live up to a decent standard of living and enable him to save a sufficient amount of money to take care of him in declining years when he is no longer able to work.

"It would indeed be a calamity and a bleak outlook for the worker, if, in his old age, he has to depend on the charity of his friends or some county institution. This condition, I am sure, does not, or is not, conducive to good citizenship, nor is it an incentive to the worker to look forward to such an end, and we hope that this Board will consider these facts in rendering its decision in this case.

The Present Attitude of the Companies

"In recent years economic conditions have varied very much and usually in favour of the worker, particularly during the war time period.

"Independent of favourable conditions, we coal miners were very reasonable, and at no time sought to impose our economic strength upon the employer. Knowing the nation's dire need for coal during the war period, we could at that time have exacted to the last penny, but in the interest of peace and harmony, when our country was in jeopardy we made substantial sacrifices. Our highest demands at any time did not exceed twenty-five per cent, our greatest increase at any time was not more than twelve and one-half per cent, or one half of our demands. We do not find the same motive impelling the operators at this time that impelled the miner at a previous time. The operators at this time come forward in an attempt to reduce the present rates one-third or thirty-three per cent, but we believe that the miner's wages are sufficiently reduced

when the decreased number of days worked are taken into consideration. . . .

"For each million tons of coal produced in this District, the fatalities are more than four deaths, and injured men are very numerous. Taking into consideration the hazards of the occupation, the miner should indeed have something more than a mere subsistence wage, and we contend that the proposed rates of the companies will not permit him that."

Statement filed by Mr. Baxter on behalf of the employees, showing the number of days certain men worked July 1st to December 31st, 1921, and the proposed new rate effective January 1st, 1922

Dominion No. 1, Undercutting Machine

	No. of days Worked	Rate per day in effect Dec 31st, 1921	Rate put into effect by Com- panies Jan. 1st, 1922
Hugh McNeil	132	\$6 92	\$4 60
Robert Stubbart. .	144	6 92	4 60
Hector McNeil. . .	89	5.92	3 95
George Dumphy.	141	4 79	3 20
John Purvis	144	7 13	4 75
Murdock Living- stone	139	5 25	3 51

Mr J. B McLachlan followed Mr. Baxter with a general statement on behalf of the employees, and then read and commented on what was said to be the address of Mr R. M. Wolvin, President of the British Empire Steel Co, at a meeting of the Board of Directors of the Dominion Steel Corporation in March, 1921. The address is next quoted and then some other statements that were read and filed by Mr. McLachlan.

"I have pleasure in presenting to you the report of your Board of Directors, and financial statements covering your Corporation's activities for the past fiscal year, and I beg to move the adoption of the report as now before you.

"I believe, in view of the conditions which prevailed in all branches of industry during the period covered by the report and statements, that you will regard the results as reasonably satisfactory. The volume of business was less than previous years, and this is particularly true as regards the British market, the contraction having been brought about by the serious depression in Great Britain, and by the keenness of Continental European competition.

"Nevertheless during all these trying times your Company, the Dominion Steel Corporation, as one of the greatest industrial institutions in Canada, have endeavoured to maintain operations at the largest capacity possible, recognizing its obligations to the country, and to its employees, and you can more readily appreciate this when I tell you that the Dominion Steel Corporation disbursed in wages and salaries last year the sum of \$21,839,285.25.

"Since our last meeting your Company has not undertaken any extensive improvements. As stated in the report of the Directors, however, the 60 new by-product coke ovens contracted for last year have practically been completed; new blacksmith and electric repair shops, improved facilities for the handling of ore and limestone, and additional blowing capacity in order to permit of the operations of a larger number of blast furnaces have been installed, sixty new freight cars were purchased during last year, and locomotives and other rolling stock have been largely rebuilt and repaired, this being necessitated as a result of the extremely strenuous service of the previous five years. Much improvement has been accomplished at the coal mines, particularly in connection with the power plants and underground development.

"The result of these improvements can be summarized by stating that the Dominion Coal Company has now a daily producing capacity of 15,000 tons of coal compared with 10,500 tons a year ago, and the Dominion Iron & Steel Company now has a coke producing capacity of 2,600 tons per day as compared with 1,300 tons a year ago. Furthermore the steel plant is now fully equipped to use this coke supply, and the balancing of departments will now permit the operation of five blast furnaces at one time, which has not been possible since 1916. At this time coke was manufactured in ovens of a type which are now considered practically obsolete and on which production costs were very excessive as compared with present day practice.

"As you are no doubt aware, the Company had various claims against the owners of vessels, which were under time charter. Several of these claims have now been adjusted, and in arriving at these settlements your Company has been able to acquire in very satisfactory terms the ownership of the British registered steamships "Wabana" and "Kamouraska" each of 7,500 tons carrying capacity, and the "Rosecastle" of 12,000 tons capacity, also under British register, together with a controlling interest in the Norwegian register steamship "Daghild" of 12,000 tons capacity. These vessels were all built especially for your Company's ore and coal trade and we are now in possession of a very excellent fleet of vessels peculiarly adapted for the carriage of our raw material.

"The Company now owns 68,000 tons dead-weight of vessels for its various trades, and this adds to the Company's profits the earnings that would otherwise go to owners from whom we charter vessels, and in addition makes our position secure for vessels suitable for our use.

"The claims against the owners of time-chartered vessels have all been settled with the exception of a dispute with the owner of one large steamship which has changed hands, and this matter is now in the Courts. Your Company has a large claim against Germany for reparations, and should

be reimbursed out of the proceeds from the German property held by the Custodian of Alien Property at Ottawa. This claim is mostly in respect to owned and time-chartered vessels sunk by submarines. In addition we have a large claim against the Imperial Government for losses suffered by your Company due to the requisitioning by the Imperial Government of steamships under the time chartered to us. It appears to be most difficult to obtain adjustment to these claims, and they have not in any way been taken into the accounts of the Company.

"One of the most important branches of your Company's operations is, of course, the mining of coal. The employees of your mines are members of the United Mine Workers of America, and with this Organization your Company has entered into wage agreements, for the past few years. The Dominion Coal Company had an agreement which should have extended until the 1st February this year, but we were compelled in November, 1920, to negotiate a new contract. Had we been able to continue under the agreement until February 1st of this year, our men would undoubtedly have realized the condition into which the country was rapidly drifting, and unquestionably a contract much more satisfactory to the Company would have been arrived at. Your officials realized that the contract would be a great hardship on the Company, particularly in connection with the production of steel, and a burden also upon the industries of Eastern Canada, but every pressure was brought to bear upon us by the Government, by the Railroads, and other interests, insisting that under no condition must we permit a stoppage of the production of coal. Consequently a new contract was entered into, effective until November 30th of this year, and I may say that our relations with our employees under this contract are most harmonious. It must be recognized, however, that wages are too high to enable us to produce coal at a cost that will permit profitable operation of the steel plant under existing conditions.

"Our labour is as loyal and efficient as in any other coal mining community in the world, and in spite of occasional newspaper despatches I would like you as shareholders to know that I believe the conditions in our mining towns are better than in the average mining districts, and that in my judgment our miners are better paid than the miners of any other field; that they have received greater advances in wages during the past seven years, and further, that prior to the war they earned as much or more per annum than the miners of any other coal field.

"It is our constant endeavour to improve the conditions under which our men live and to pay wages sufficient to maintain a proper standard of living. At the same time it is absolutely imperative that we reduce the cost of coal to our steel plants, and to the consumers of Eastern Canada.

"We have now passed through the first quarter of the present fiscal year, that is, the three months ending June 30th. We entered the new year with the full intent of regaining the coal markets of Montreal, and East. As you are aware, however, conditions in all branches of activity are most unusual, and we found, at the opening of navigation on the St. Lawrence river that the railroads had large stocks of coal; the

pulp plants and other large users had on hand two to three months' coal supply, and all industry generally was operating on a minimum consumption of coal. We have come into competition with what is known as 'Distress' coal from the United States, which means coal sold at less than the cost of production and delivery, but with all these conditions to meet we are gradually acquiring again the markets that properly belong to us. Unfortunately, however, there are a number of Canadian consumers who do not fully appreciate how greatly they could assist the country's existing unfavourable trade balance by straining a point to use Canadian coal whenever it can be obtained.

"For the last sixty days our operations have been materially assisted by sales of our coal in England and Scotland, and the reports from gas plants and railroads using it in those countries are very satisfactory. I do not expect that we will be able to hold the British market, but I am in hopes that gradually our coal will find a market in some of the European countries.

"Reference is made in our report to our association with the British Empire Steel Corporation, Limited, and you will realize that the acquisition by the Company of all common shares of the Dominion Steel Corporation has virtually eliminated from our Company all holders of common shares, excepting the British Empire Steel Corporation. The public, therefore, is interested in our meeting today solely as holders of the preference and preferred shares of the Dominion Steel Corporation, Dominion Coal Company, and Dominion Iron and Steel Company, or incidentally as shareholders of the British Empire Steel Corporation, Limited.

"In this connection I wish to call to the attention of the holders of preferred shares, the fact that the statement for the past fiscal year shows that the dividends on your shares for the three Companies named were earned five times over. I need not, of course, emphasize the fact that business conditions are most unsatisfactory at present, and in view of this it is all the more gratifying to be able to say to you that for the first quarter of the current fiscal year ending June 30th, the Dominion Steel Corporation, after providing for depreciation, sinking funds and bond interest, has earned at the rate of over three times the amount required for payment of the combined dividends on its preference shares, and on the preferred shares of its constituent companies. I believe that we should be very well pleased with the results, particularly, as I have just stated, in view of conditions during the past three months.

"The preferred shareholders of this Corporation and its constituent companies were advised of an agreement having been entered into between this Company and the British Empire Steel Corporation, Limited whereby the preferred shares of the Dominion Steel Corporation and subsidiary companies could be exchanged share for share for the preference 'B' stock of the 'British Empire Steel Corporation, Limited'. On 1st of August the British Empire Steel Corporation will deposit its per cent First Preference Stock with Prudential Trust Company for the purpose of effecting this exchange, and after that date, any holder of 6 per cent Preference Shares of this Corporation, or of the 7 per cent preferred Stock of the Coal and Steel Companies who desire to

exchange, may forward their certificates to the Prudential Trust Company and receive certificates of British Empire in exchange for them. . .

"It is most essential that we should all realize that the situation throughout the world and in this country demands the practice of every economy; we must recognize also that wages are gradually being reduced, and that the cost of labour will further decrease, both through increased efficiency, and by further reductions from the very high scale that has been put into effect during recent years. Concurrently with this will come further reductions in the cost of living, and at the same time the income of the wage-earner should maintain approximately an equal purchasing power

"Finally, we must recognize that, in meeting these new conditions, Canadian industry must be satisfied with smaller margins of profit, and aim at greater production . . ."

The daily rate of a large number of men December 31st, 1921, was \$3.80, the rate put into effect by the Companies for these men January 1st, 1922, is \$2.44 per day. Mr. McLachlan estimates these men will not work in excess of 290 days per year and then proceeds to show how the annual earnings of \$707.60 would be used to provide for a family of five.

Outlay

Outside clothes, including boots for man	\$30 00
Outside clothes, including boots for woman	25 00
Outside clothes, including boots for children	30 00
Underwear for man	10 00
Underwear for woman	10 00
Underwear for children	20 00
House rent	100 00
Coal 20 tons at \$2.25, hauling \$1.00	65 00
Light	25 00
School supplies	15 00
Washing supplies, for family	30 00
Insurance	20 00
Doctor	20 80
Church	12 00
Household renewals	10 60
Trade Union	15 00
Hospital	13 00
Sanitation	4 00
Water	6 50
Taxes	20 00
	<hr/>
	\$481.90

Balance for food for 365 days for family of five.... \$225 70

$\$225\ 70 \div 365 = 62$ cents per day for five persons.

$62 \div 5 = 12.4$ cents per day for each person.

$.124 \div 3 = 4.10$ cents per day for each meal.

Following the budget, Mr. McLachlan filed an exhibit, said to have been taken from page 39, 52nd Annual Report of Prisons and Reformatories in Ontario. It shows the cost of providing fuel, food and clothing per day for each person. He pointed out that for five inmates it cost the City of Toronto \$1.94 per day, \$708.10 per annum, or an amount in excess of what the employees would earn at the rate of \$2 44 per day in 290 days (his estimate of the number of days) the men would work in a calendar year of 365 days. It is perhaps sufficient to say that Toronto is neither the highest nor the lowest on the list of forty-six towns or cities.

**Changes in the Cost of Weekly Family Budget and Other Particulars
Concerning Rates and Increases from 1905 to 1921**

Year	1900—Cost	\$5 48
"	1905— "	5 95
"	1909— "	6 75
"	1913— "	7.34
"	1914— "	7 96
"	1915— "	8 13
"	1916— "	10 10
"	1917— "	12 24
"	1918— "	13.65
"	1919— "	14 73
"	1920— "	16 92
June	1921— "	11 82

From the year 1905 till May, 1916, there was no general increase in wages.

From the year 1905 till May, 1916, food costs increased 69 per cent.

From the year 1905 till June, 1920, food costs increased 184 per cent.

From the year 1905 till the present wages for contract labour have increased as follows:

**Comparative Statement of Coal Cutting
Rates for the Years 1908, 1913, 1916
And 1921—Dominion Coal Com-
pany's No 4 Mine**

Classification	1908	1913-16	1921	Percentage of increase
<i>Hand Mining—</i>				
Rooms51	.99	94%
Cross cut consideration.				
First 12 feet per ft324	.55	69%
Next 8 feet per ft.....456	.76	67%
Next 10 feet per ft.....55	.93	69%
Over 30 feet per ft.....742	1 25	68%

DOWNWARD WAGE ADJUSTMENTS

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Classification	1908	1913-16	1921	Percentage of increase
<i>Pillars—</i>				
Minimum455	.89	99%
Maximum .....	...	.485	.94	94%
<i>Machine Mining—</i>				
Rooms undercutting.....	...	.13	.26	100%
Rooms shooting and loading.	...	.28	.61	118%
Rooms total.....	...	.41	.87	112%
<i>Narrow Work—</i>				
Deeps undercutting and shooting:				
Deeps loading				
Deeps total . . . . .	.47	.47	1 03	119%
Headways undercutting and shooting .. .. .	...	.305	.655	115%
Headways loading .... .	...	.145	.345	138%
Headways total .. . . .	.45	.45	1 00	122%
Levels undercutting and shoot- ing .....	...	.305	.655	115%
Levels loading. .... .	..	.145	.345	138%
Levels total .....	.45	.45	1 00	122%

Note—The above narrow work rates of 1921 are applicable to single shifted places Three cents per ton extra is paid for double shifted single places.

Dominion Steel Corporation, Limited And Constituent Companies

Consolidated Profit and Loss Account for the Fiscal Year ending March 31, 1921.

Net earnings (including interest on Investment and Surplus funds), after deducting all manufacturing, selling and Administration Expenses, and provision for income tax, but before charging sinking funds, depreciation and interest	\$7,212,750.71
Deduct—Provision for Sinking Funds, Depreciation and Renewals, etc	1,583,662.22
	<hr/>
	\$5,629,088.49
Deduct also	
Interest on Bonds and Debentures.....	970,776.73
	<hr/>
	\$4,658,311.76

270 PRINCIPLES OF WAGE SETTLEMENT

Less—Preference Dividends for year ending March 31, 1921: Dominion Steel Corporation, Limited	\$420,000 00	
Constituent Companies	560,000 00	
		<hr/>
		980,000.00
		<hr/>
		\$3,678,311 76
Add—Balance April 1, 1920.....	8,211,236 58	
		<hr/>
		\$11,889,548 34
Deduct Dividends on Common Shares of Dominion Steel Corporation, Limited, at the rate of 6 per cent per annum	2,226,000 00	
		<hr/>
		\$9,663,548 34

Note.—The above, Mr McLachlan states, is a copy of page 20 of the Dominion Steel Corporation, Limited, and Constituent Companies, Annual Report and Statements for year ending March 31st, 1921

Statement filed by Mr. J B McLachlan on behalf of the Employees.

British Empire Steel Corporation, Limited

Projected financial statement as at 31st December, 1920. (Consolidating the Assets and Liabilities of the Companies to be acquired and giving effect, as at that date, to the introduction of the New Capital Stock to be issued.)

Liabilities

Capital stock to be issued....	\$19,950,000.00	
First preference "B" 7% cumulative stock.....	57,350,000 00	
Second preference 7% cumulative stock.....	24,450,000 00	
		<hr/>
Common stock	\$101,750,000 00	
Deduct:		
To be held by Constituent Companies:		
Second preference 7% cumulative stock.....	24,450,000.00	
Common stock.....	2,976,000.00	
		<hr/>
		9,967,000 00
		<hr/>
		\$91,783,000 00

DOWNWARD WAGE ADJUSTMENTS

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Funded debt presented by bonds and debenture
stock of Constituent Companies..... \$31,094,865.32
Deduct: held for sinking fund or in treasury. 435,480.50

\$30,659,384.00

Deferred payments on properties purchased.. . . . \$1,808,000.00

Current liabilities—

Bank loans (partly secured) \$7,224,221.47
Notes payable 51,569.86
Accounts payable, taxes and dividends... 9,038,254.26
Payments on uncompleted contracts
(partly earned) 2,881,350.83

\$19,195,396.42

Deferred Credits to income..... 633,976.85

Reserves—

For relining furnaces, renewals, etc .. \$1,462,102.21
For possible shrinkage in inventory values. 1,500,000.00
For Government and legal fees upon
incorporation 150,000.00

3,112,102.21

Surplus of Constituent Companies..... 26,548,448.06

\$173,740,308.36

Assets

Land, building, plant and machinery, mining properties
and equipment \$152,671,476.04
Less depreciation reserves 20,385,294.31

\$134,286,181.73

Deferred balances receivable on properties sold 85,917.60

Current Assets:—

Cash \$1,261,884.32
Call loans 408,309.59
Dominion Government Bonds (\$2,695,-
000.00 pledged for bank loans) . . 3,242,755.49
Notes on account receivable 12,589,297.45

272 PRINCIPLES OF WAGE SETTLEMENT

Inventories of stores and supplies, raw materials, work in progress and finished products	18,480,185.02	
		35,982,431.87
Investments		2,191,269.40
Deferred charges to operations.....		1,031,525.04
Cash held for bond redemption.....		162,982.72
		<hr/>
		\$173,740,308 36

The following statement was read and filed with the Board by Mr. Angus McPhee.

"I wish to have a word to say in regard to the situation at Sydney Mines. In order to do so I will have to go back to the time that the Patterson Board sat in Sydney Mines. The wages of the lower paid men was \$2.80 over ground, and there was an awful difference of rates. We got increased to \$3 68, but the proposed reduction makes surface labor \$2.35, underground \$2 45

"Between all classes of labour, in placing our case before that Board, we tried to get our rates levelled up to that of the men on the south side of Sydney Harbor. The Board did not give us that levelling up. What they gave was a small increase of wages. The miners of Princess Colliery were very low, their tonnage rate was about 80c. The Board gave them an increase, and with the increase of the Montreal Agreement, brought them up to \$1 15., and the reduction put into effect by the Company would bring them down to 79c or the average below \$4 29 a day. The pick miners' wages in the Florence Colliery on the same seam was \$1.05. With the cut in wages of all rates that I present to your Board, you can realize the hardship the mine workers in the District of Sydney Mines will be up against.

"In the Jubilee and Princess Collieries, the contract men in these mines got no increase of wages, but come under the proposed reduction. The reason given by the Company at that time was the low production per man. The production cited by the Company was 0 96 tons per man per day. The Board recommended that as output increased, Companies' officials meet representatives of the men and make adjustments until Sydney Mines' rates were equal to others. The production per man in Sydney Mines is nearly two tons per man at the present time. . . ."

The following statement was read and filed with the Board by Mr. F P. Hanaway:

"Mr Chairman and gentlemen of the Board. Inasmuch as prices of coal and cost of production relative to mining in the United States have entered into the controversy existing in District 26 of Canada between the representatives of the miners and the operators' representatives herein I desire to submit for your information and consideration some of the reduced rates now being paid in the non-union fields of the United States.

Coke Region U.S. Steel

"Some of the statements made by Mr. McDougall relative to competition from U.S. coal in the Montreal market should be taken as inaccurate by this Board until such time as he can show the existing freight rates to the Canadian border from the large producing fields that he has in mind. The largest non-union district in the United States is located in Fayette County, Pennsylvania, where there are employed approximately 40,000 men in and around the mines. The operations are owned by the U.S. Steel Co. and most all coal mined is converted into coke, the freight rates from this field to any point in Canada would be so great, added to the cost of production and cost of conversion into coke, that its cost to the consumer would be so high that its use would be prohibitive. Hence the production of either coal or coke within the Dominion would have nothing to fear from a competitive standpoint. I desire to say in connection with this matter that the percentage of operating time of this particular company during 1921, does not approximate more than 50 to 55 per cent. The statement of Mr. McDougall notwithstanding, I have the scale of wages paid to its employees by this same Company which I will submit to this Board in connection with this statement.

Westmoreland County

"There are approximately 18,000 or 20,000 men employed in this county, none of whom belong to the miners' organization. The production from this field properly goes to Philadelphia, New York and other eastern coal consuming cities on the Atlantic seaboard, and the cost of transportation into your Canadian markets added to the cost of production and conversion to coke render such a condition unlikely as a considerable tonnage in this field is converted into coke, the balance being mostly used for gas making and by-product purposes. I also desire to submit the scale of prices as paid in this field for your consideration.

Eastern Kentucky and Tennessee Non-Union Fields

"The number of men employed in and around the mines in these fields approximate 25,000 men and have been repeatedly reduced to a point that the operator in this territory admits that the prices paid will not permit the miner more than a bare existence by working nine hours per day. These fields are so remote from your Canadian markets that it takes a wonderful stretch of imagination to even think of their competing at all.

"The infamous Logan County field, without any comment I submit the scale of prices paid in that field, along with prices paid in Eastern Kentucky.

"I desire to draw the attention of this Board to the fact that prices paid for labour and tonnage rates in these coal fields are entirely arbitrary, and the miner or labourer does not have any say as to prices or working.

conditions that he has to labour under. You will note that the prices paid in the first two districts mentioned after two reductions are nearly as high as the peak prices for day labour in District No. 26 and the rates now being paid in Kentucky and Tennessee and even Logan County, W. Virginia, are much in excess of the proposed reduced rates as offered by the coal corporation of District No. 26. I will leave this matter to the judgment of your Board as to the justice of such a backward and reactionary proposition.

Conclusion

"I desire to say that the reasons given for the proposed reduction by representatives of the companies are as follows: First, a reduction in the cost of living has taken place. Second, cheap coal imported from the United States. Third, the necessity of paying profits to the stockholders who hold stocks in the so-called corporation. To the first reason we have never been satisfied with a mere existence as the result of our labour, such as is implied by the companies as stating that wages should come down for the reason that living costs have declined. The aim and desire of the men is not a mere sustenance level or to meet a family budget that does not take into consideration the saving of a sufficient amount from his earnings that will provide for him and his wife in the evening of their lives. The miner and his family are entitled to some happiness and some pleasure in life and are worthy of something more than enough food to produce profits for those who do not toil. We contend that the happiness and welfare of the men, women, and children of this great Province are or should be of more concern to this Board than the payment of dividends to shareholders in any industrial concern, and we also believe that if the time does ever come when the prosperity of the miner or the security of industrial enterprise is jeopardized by cheap commodities imported from the United States, then it will become the duty of the citizens to see that the Federal Parliament protect both the worker and the industry. We believe that we have shown good reasons to this Board why the wages of the miner should at this time remain as they are. To reduce the wages of the miner at this time means that every other craft will have to suffer a like reduction in wages, which will, without doubt, decrease the purchasing power of the man and woman who toils, thereby reflecting its baneful influence on every man and woman in the Province, as it is a well-known historical fact that a nation whose toilers are not prosperous and reasonably contented is indeed poor. We hope that this Board will weigh well these matters as the whole question at issue is, shall the worker be consigned to a bare sustenance, a mere existence, not more than two weeks from hunger and starvation; or shall the profits of this Corporation be guaranteed in order that some shall live in ease and comfort through profits realized from an industry that they have at no time been a factor in its productivity."

Statement filed by Mr. W. P. Delaney on behalf of the Employees. . . .

"Mr Baxter in his remarks a day or two ago referred to the loss in wages to the employees of the companies involved. Mr. Baxter estimated 6,000 employees at \$1 50 per day reduction. Although the loss of \$1.50 per day to each employee is a conservative estimate, the number of employees is far too low. A conservative estimate of the three companies involved in this dispute would be approximately 9,500 employees. Basing the average working month for 1922 at 20 days, which we think at the present would be a fair estimate, it would entail a loss to the workingmen for 1922 of \$3,420,000.

"One item which has not been taken into consideration at the present time in regard to the cost of production is the large amount of construction work which is going on today at some of the collieries of the Dominion Coal Company. This work which consists of extraordinary repairs to deeps and air courses is largely responsible for the high cost of production for this Company. This work although necessary has had this effect owing to the fact that there is no output of coal from these places; consequently the work can be considered a dead loss.

"In reference to the banking of coal we feel that the Company would not be able to bank any more than one-third of its output. The Company are today working what they term live mines and the output from these mines is being shipped. If as the Company states the selling price for coal banked depends entirely upon prices to be obtained six months hence, then we submit that this would only apply to one-third of the output, and does not justify the sweeping reduction which has been put into effect."

Mr D H McDougall read a prepared Statement and then filed it with the Board. Below is the Statement in part.

Study of the Reasons Compelling the Dominion Coal Company to Reduce the Scale of Wages to Mine Employees upon the Expiration of the Montreal Agreement.

"The situation of the Dominion Coal Company must be considered under two heads, namely:

"a. Temporary and world-wide trade conditions, arising out of the war.

"b. Permanent and local conditions inherent in the situation of the Company's collieries and markets.

"Temporary and world-wide conditions which made it possible to pay the wages called for by the Montreal Agreement, and which now require a reduction in wages, are as follows:—

Conditions Making High Wage Rates Possible

"a. The rise in commodity prices (or decreased purchasing value of money) necessitating larger expenditures for goods of all kinds, when compared with pre-war prices.

"This is usually referred to as "inflation" and it is necessarily accompanied by increased cost of living and higher rates of wages.

- "b. Higher selling prices for coal, the commodity which the Company produces and sells, and out of which it pays wages.
- "c. Decrease in the coal production of the world, due to army drafts; opening up the European market to Nova Scotia, at good prices, for the first time.
- "d. Heavy demand for steel goods, taking a large proportion of the Company's coal output for steel-making purposes
- "e. Unusual demand for steamship's bunkers at Nova Scotia ports, and supplying of cargo coal to vessels calling at these ports.

Conditions now requiring Reduction of Wage Rates

- "a. The fall in commodity prices (or increased purchasing power of money) enabling the purchase of all classes of goods and smaller expenditures of money when compared with war-time prices.

"This is the process of deflation" and it is accompanied by decreased cost of living, requiring and permitting only lower rates of wages.

- "b. Constant lowering of the selling prices of coal, which, being a commodity, must follow the general trend.
- "c. Increase in the coal production of the world, caused by industrial restoration in Europe, closing this market to Nova Scotia coal, at our present cost of coal mining.
- "d. Entire lack of demand for steel goods, reducing greatly the proportion of coal used in steel-making
- "e. Decreased call for ship's bunkers at Nova Scotian ports and entire cancellation of cargo business at these ports
- "f. Increased pressure of United States competition in the whole of Eastern Canada, due to excess of coal supply over demand in the United States.

"The permanent and local conditions in the coal industry in Nova Scotia have always been recognized as very difficult, and as not permitting competition with United States coal without protection by customs import duties, and the payment of a lower scale of wages than that of competitive coal fields in the United States.

"This permanent limitation of the Nova Scotia field was recognized by the International officers of the United Mine Workers in the negotia-

tions which led to the extension of the organization into Nova Scotia, who so assured the coal companies at a joint meeting held in the Windsor Hotel, Montreal, 14th January, 1919, attended by representatives of the Department of Labour, the coal operators of Nova Scotia, the Executive of the Amalgamated Mine Workers of Nova Scotia, International officers of the United Mine Workers of America, and the Fuel Controller; a sub-Committee brought in the following terms of understanding on which the United Mine Workers extended its jurisdiction to Nova Scotia;

"After having had the assurance of the Executive of the Amalgamated Mine Workers of Nova Scotia, and the Representatives of the American Federation of Labour, confirming the statements made in Montreal by Mr. Harlin of the United Mine Workers—

"That the desire of the Amalgamated Mine Workers of Nova Scotia, to have the United Mine Workers of America extend its jurisdiction to Nova Scotia, does not arise from any intention to make the wage rates and working conditions of Nova Scotia conform to those obtaining in the other districts of the United Mine Workers of America

"That the local districts will receive complete autonomy

"That the limitations of Nova Scotia in regard to outside competition in the sale of coal are recognized by the incoming United Mine Workers of America, and will always be borne in mind in the future

"The operators agree to the proposed extension of the United Mine Workers of America into Nova Scotia if that should be the wish of the majority of the mine workers

"All subsequent negotiations and contracts have been made upon this original understanding

"This limitation of the competitive ability of the Nova Scotia coal industry consists in the ability of the coal operators of the United States to mine coal at a cost which is very much lower than is possible in Nova Scotia, said ability arising from more favourable physical conditions of mining. There is no method by which this superiority of the United States coal operator can be overcome, and Nova Scotia's disability in this respect must and has been generally recognized.

"The pressure of American competition in coal was never more serious than at this time, because United States coal mines were never so highly developed for output as they are now

"In recent years in addition to the temporary world-wide conditions of money inflation, previously referred to, the producer of coal in Nova Scotia has had the benefit of certain temporary conditions that have tended to increase the cost of imported coal, and to afford additional protection to Nova Scotia coal, over and above the usual customs duty, namely high freight rates and exchange losses.

"This additional protection has consisted of the following factors:—

"a High freight rates to the U.S. border.

"b Premium on New York funds, ranging around 12 to 15 per cent, which has to be paid on the pit mouth price of the coal, plus the freight rate to the border.

"c. Maximum wages paid to mine workers in the United States.

"All these conditions have undergone or are about to undergo drastic changes in a downward direction.

"Since the middle of the summer of 1921 exchange has dropped as low as 8 per cent, and its tendency is certainly downwards on the long swing.

"A reduction of ten per cent on farm product freights was announced in November by the railways of the United States.

"Reduction in miners' wages have been general in the United States in non-union fields, and average at the end of October not less than 30 per cent. Outside the Central Competitive District miners' wages have returned to the standards of 1917, for the most part.

"With the exception of the autumn and winter of 1918, records show that at no subsequent or previous time has there been such a large stock of coal on hand at this time of the year. Accompanying this unprecedented condition of large stocks of coal on hand, is an abnormally low rate of consumption.

"Spot-mine prices range from \$1 50 to \$2.00 for run-of-mine coal

"A substantial reduction in the rate of mineworkers' wages is expected to follow the expiry of the current wages agreement with the United Mine Workers at the end of March, 1922

"The effect of this combination of factors upon the Montreal market will be to reduce the selling price of coal by from \$1 50 to \$2 00 per ton from the prices current in the autumn of 1921. This reduction of selling price in Montreal will, of course, cause an identical loss of revenue at the pit mouth in Nova Scotia.

"The lack of demand for coal and the Company's inability to sell coal in face of competition from the United States coal fields can be gauged from the following figures which show a steady decline in sales month by month during this year, a condition of affairs which is caused by heavy importations of coal from across the border, sold at a price the Dominion Coal Company cannot compete with because of high costs of production in its mines.

Scales of
Dominion Coal
in 1921

June	318,740 tons
July	301,890 "
August	237,791 "
September	184,290 "
October	147,755 "
November	96,000 "

"The Company's inability to make coal sales arises from inability to meet American prices, by reason of the high cost of production. The attached letter from a former Montreal customer is the best explanation of the Company's situation.

The Canada Sugar Refining Company, Limited

"Montreal, 14th November, 1921.

"Alexander Dick, Esq,
General Sales Agent,
Dominion Coal Co., Limited,
112 St. James St., Montreal.

"Dear Sir:

"As you are aware, since the year 1916—that is to say—for a period of five years, we have not been able to do business with your company, as we had done for so many years in the past; this was not on account of anything except the one question of price, as we strongly prefer to deal with Canadian concerns, in purchasing our supplies, in every case where it is possible.

"During those years the price of Cape Breton coal has been at a point where it has not been possible for us to give them orders.

"I am most anxious to renew our business dealings with you, and it is for your company to reduce your costs, and your profits, if necessary, to a point where you can compete in price with American coal

"As you are aware, the price of American coal has been lowered, very materially, during the present year, and I think there is not the slightest doubt that next year will see it still further reduced, as both wages and freight rates, which are the main factors affecting it, will undoubtedly come down

"I am writing you this letter, not as much as a coal buyer, individually, as through my interest in the use of Canadian materials in place of American, and the consequent rectification of the enormous discount on Canadian currency, as compared with American. The discount of the Canadian dollar makes it necessary for us to pay whatever the current rate of exchange may be, on every pound of sugar, which we import. This adds very materially to the cost of our product in the Canadian market.

"One of the contributing factors to the premium on American funds is undoubtedly, the large importations of American coal, which could just as well be mined in Canada, with the accruing benefits to the Canadian miner, which at present, are being handed over to his American competitor.

"It should be plain to every miner in this country that every ton of coal bought in the United States, which might have been bought in Canada, is a direct loss of the cost of the coal (to which must be added the indirect loss in the premium on exchange which it tends to augment). That American coal should be transported hundreds of miles by rail to a Virginian port, and thence by steamer to Montreal passing Cape Breton en route, should be an object lesson to you and your employees, which needs no comment from me.

"Yours very truly,

"(Sgd.) H. R. Drummond,
President

"The importation of United States coal into Canada during 1921 has been for the nine months ending September as follows. The steady de-

cline in the selling price (or declared value at the border) is very noticeable.

Month of 1921	Bituminous imports	Tons value in dollars	Value per ton
January	1,637,364	\$7,578,075	\$4 62
February	1,148,631	4,751,700	4 13
March	1,401,431	5,594,923	3 99
April	696,017	2,406,750	3 44
May	756,064	2,540,662	3 35
June	1,064,668	3,694,226	3 47
July	1,246,971	4,442,098	3 56
August	1,298,555	4,155,432	3 20
September	1,302,200	3,715,473	2 86
	10,551,901	\$38,879,939	\$3 72

"A drop of \$1.50 per ton in the selling price of coal during the first nine months of 1921 is indicated by these figures, but during the period from October 1st to date the drop has been still more severe. The selling prices of the Dominion Coal Company must conform to these lower levels, if sales are to be made.

"For the first half of 1921 the import of American bituminous coal into Eastern Canada compares with two previous years as follows —

Imports of U S coal Maritime Provinces and Quebec during first half of		Short tons
1921		1,403,724
1920		782,774
1919		1,058,594

"During the second half of the year coal has been imported into Quebec at a rate greater than during the first half of 1921 and sales of U.S. coal have been made at ports in the Maritime Provinces, such as St. John, N B, and Chatham, N B, which were regarded as an unsailable market for Nova Scotia coal.

Increases in Wages

"Increases in wages during the period of rising prices asked by the workman, and granted by the company, were as follows

Date of increase	Increase over previous rates	Cumulative increase over rates of 1916
1st June, 1916.. .. .	6%	6%
1st November, 1916.. .. .	15 9%	22 9%
1st May, 1917	14 2%	40 6%
1st June, 1918.....	16 0%	63 1%
1st July, 1918	5 1%	80 0%
January, 1920.....	9 0%	96 2%
1st November, 1920.....	12 5%	120.7%

"Individual rate increases have exceeded the figures above given.

"The average daily earnings of all classes of workmen at the Dominion Collieries have risen as follows:—

Year	Surface men	Underground labour	Mining coal	Total average
1914	1 87	2 07	3 06	2.46
1915	1.95	2.05	3 01	2.48
1916	2 06	2 17	3 30	2.64
1917	2 62	2 80	4.21	3.35
1918	3 32	3 64	5 39	4.25
1919	3 48	3 79	5 65	4 42
1920	4 00	4 41	6 55	5.02
Sept, 1921	4 47	5 00	7 22	5 73

"These figures indicate increases over 1914 rates as follows —

Surfacemen	140 per cent
Underground labour....	145 per cent
Mining coal	136 per cent

"The actual individual annual earnings were greatly in excess of this amount

"The difficulty of the Company's position is apparent when it is stated that with an output reduced by 34 per cent and its productive employees reduced by 33 per cent (the figures being, of course, virtually the same) it has been necessary to carry on the payroll a force of non-productive employees whose numbers declined only by 6 per cent and rate of wages was increased by over 140 per cent

"The effect of lower outputs, lessened individual productivity and increases in the rate of wages has been to increase the labour cost of production of a ton of coal since 1915 by approximately 200 per cent

"It has been possible to pay such additions to the payrolls only by passing along the cost to the consumer, but this is no longer possible

Appendix "A"

"Memorandum on St Lawrence Market comparing 1921 with that expected in 1922, as read and filed with the Board by Mr D H. McDougall

"During the years 1912 to 1914, the Montreal market had been developed by the Dominion Coal Company to sales of almost 2,000,000 tons per year.

"The sales from 1912 to 1915 were as follows:

Year	Quantity (long tons)	Per cent of the total dis- posals of the company
1912	1,713,287	38%
1913	1,825,682	39%
1914	1,973,422	45%
1915	1,500,323	32½%

"During the 1921 season, the Dominion Coal Company has succeeded in partially regaining the Montreal market, and shipped 865,000 tons, which does not represent anything like the quantity of coal that could have been supplied to the Montreal market from the Company's collieries had it been possible to effect a greater quantity of sales in the Montreal market.

"As to the existence of a market for bituminous coal in Quebec, there is no question, as at the close of the year 1921 approximately 3,000,000 tons of bituminous coal from the United States will have been imported into the Province of Quebec. When normal trade conditions are restored and the present abnormally small consumption of coal in industry has been replaced by a normal rate of consumption, it will probably be found that the consumption of the province has been much increased during the past seven years and it would not be surprising to know that the normal usage of bituminous coal in the province was in the vicinity of 4,000,000 tons annually.

"A fair presumption, therefore, is that if the Dominion Coal Company can offer coal at a price which will meet American competition, the possible sales of Dominion Coal in the Province of Quebec would be sufficient to keep its mines fully occupied when added to other customary sales.

"The competitive delivered price of American coal at Montreal during the late summer of 1921 was about \$7.65 or \$7.75. At the end of the year coal was offered as low as \$7.15 to \$7.25. It is anticipated that the price for the summer of 1922 will be from \$5.75 to \$6.25.

"Actually coal has been sold to customers in Montreal at prices higher than exact competition with American prices would call for, and this has been possible because Nova Scotia coal is preferred by Quebec users for its quality and because Canadian consumers desire to have Canadian mined coal where it is possible without direct financial loss to themselves.

"The railway price has been keener because of the ability of the railways to buy and to store coal in larger quantities, and it is expected that the price which will be obtainable in the Montreal market for the Company's product in the summer of 1922 will be from \$1.20 to \$1.50 per ton less than the price of 1921.

Appendix "B"

"Memorandum of the Bituminous Coal Trade of the United States, and the conditions which give rise to intermittency of employment among the mine workers, as read and filed with the Board by Mr. D. H. McDougall.

"The high wage rate paid to miners in the United States has come about very largely through the necessity to compensate for intermittency of employment. This condition is one that is notorious and admitted in connection with bituminous coal mining in the United States and has been made the subject of investigation by the United States Geological Survey.

"In a memorandum prepared by the request of Senator Frelinghuysen on "Seasonal Fluctuations in the Production and Transportation of Bituminous Coal" it is stated that during the thirty years between 1890 to 1919, the bituminous mines worked an average of only 215 days per year, losing on the average 93 possible working days in each year. The cause of this part time employment and their proportionate effect are stated in this memorandum to be as follows:—

Reasons for idleness of coal mines	Average days lost per year 1890 to 1919
Business depression	15 days
Sheer over-development.. ..	34 days
Seasonal slackness of demand.....	44 days
	<hr/> 93
Possible working days.....	308 days
Actual average worked.....	215 days

"The State of Illinois is typical in this connection, and following is a table showing the average day operations per year in the shipping mines of Illinois covering the period from 1906 to 1921:

Year	Average days per year
1906	189
1907	209
1908	191
1909	189
1910	179
1911	184
1912	176
1913	179
1914	174
1915	172
1916	185
1917	215
1918	230
1919	192
1920	176
1921	174

"In the State of Ohio, the mines in the southern part of the State have been worked during 1921 not more than 25 per cent of full time. In the eastern part of this State where more favourable conditions exist, about 50 per cent of full time has been worked.

"The reports of the Geological Survey show that the bituminous coal production of 1921 has so far proceeded at a rate which is not only below the high average of the years 1917 to 1920, but is below the figures of the period 1913 to 1916.

"So far the year 1921 in point of bituminous production is 47,000,000 tons behind 1919, 119,000,000 tons below 1920, and 141,000,000 tons below the high average of the War years. Indications are, that it may be necessary to go back to 1905 to find a bituminous coal production as low as that of 1921.

"In the Weekly Report of the Geological Survey of September 17, it is stated that 970 bituminous coal mines out of a total of 2,697 mines were entirely closed down. Only 180 mines out of the total are reported as working full time. The bituminous coal mines of the United States are not working at a rate greater than from 50 to 60 per cent of their rated capacity.

"The depression in demand affects chiefly the Union Mines in the Central Competitive Field and while these are reported as working only from 25 to 50 per cent of capacity (where not entirely closed down) the mines in the non-union fields are working from 90 to 100 per cent full time, a condition that is chiefly attributed to the difference in the wage scales of the union and non-union districts.

"The absence of demand for bituminous coal is reflected in the low selling prices. In August and September, 1920, current spot prices of soft coal passed \$9 00 per ton, and this has continuously and rapidly declined until in November, 1921, spot-mine prices ranged from \$1 50 to \$2 00 per ton for good quality of run-of-mine coal.

General Conclusions

"The ability of the Dominion Coal Company to pay wages depends upon its ability to sell coal.

"Coal cannot be mined and sold at a profit at prices prevailing and likely to prevail in 1922, because of the following conditions

"Selling price of coal—

During 1922 the Company anticipates that coal prices will be less than the prices of the early summer or 1921 by	30 per cent
and less than the prices obtainable when the Montreal Agreement was made by	50 per cent

"Cost of production—

By reason of higher wages, higher costs of mine supplies, increased taxation by federal and provincial government and workmen's compensation, by reason of a lowering of output by 30 per cent, by disproportion of non-producers employed and smaller number of miners, reducing efficiency, the cost of producing coal has risen when compared with 1914,	
by	224 per cent

"Earnings of the mine workers—

Earnings of the employees at the coal mines are from 120 to 200 per cent greater than the rates of 1914, and may be fairly averaged at an increase of.....	140 per cent
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"Expenses of the individual—

The cost of living at the mines in Nova Scotia is between 50 and 60 per cent above the costs of 1914 and may be fairly averaged at..50 per cent

Statement filed by Mr D. H. McDougall on behalf of the Companies :

What is the Case of the United Mine Workers?

"That we are asking reduction in wages, not because of trade conditions but to pay dividends on stock

"That our contentions as to freight rates, delivered prices in Montreal, competition with our coal in the Maritime Provinces at this time, are unproven and in the nature of guess work.

What is the Company's Case?

"We have established the following conditions:—

Wages increased 140 per cent

"These wages paid during a year of constantly falling selling prices of coal and could not have been paid but for the accident of the English coal strike—notwithstanding our earnest desire to keep faith with the men under the contract

"Increase in wages given under the Montreal Agreement was paid to meet the increase in commodity prices at that time. Commodity prices have decreased without let-up ever since

"The Company takes its stand on the Memorandum of Reasons submitted to the Board and is prepared to prove conclusively every statement therein None of them have been disproved We rest our case on the facts as presented

"The Company is unfortunate in having been the first large unionized coal mining company to be compelled to put into effect a wage reduction following the expiry of a contract If the contract had expired at a later date it would have coincided with or followed the general reduction in all coal-mining wages in North America We have advices from an undoubted source that a 30 per cent reduction is to be put into effect by the coal operators of Illinois on the expiration of the present contract and that notices are shortly to be posted in the Pittsburg district of a 40 per cent reduction effective 1st April

"Secretary of Commerce Hoover's recent statement indicates heavy contemplated reductions In the United States coal has fallen to a price approximating that of 1914, and the protection afforded to Canadian producers by the exchange rate is practically gone

"The figures shown by Mr Caye of the Grand Trunk in his evidence before the Fuel Committee indicate, when compared with present prices, that coal is now selling at \$1 38 below the price of last spring and further declines are inevitable

"In the face of a probable further fall in coal prices our balance sheets in the months of October, November and December showed a series of losses greater month by month.

"All commodities are falling in price. How can the price of coal be maintained in Canada against competition from the United States when it is proved that this country our chief competitor, has developed its mines 40 per cent in excess of the maximum requirement of the United States in the war period?

"British coal has now also become an active competitor of our coals at our very doors and the tremendous reductions in wages of the British coal miners are notorious

"We state that the Maritime Provinces cannot afford a sufficient outlet for the production of our coal mines unless we can get back the Montreal market Unless we do this neither the Company nor the men can continue in their present occupations

"The figures we have quoted of present delivered coal prices in Montreal show that we are backed off the map unless wages are reduced.

"In concluding, we wish to point out that it is the desire of the Company to place itself in a position where it may accept business, in order to provide steady employment at the collieries It has been successful in doing so for many years and very little unemployment has occurred at the collieries since 1910—with the exception of 1914 and the autumn of 1921 The unemployment in 1914 was due to conditions known to you all. The lessened amount of work available in the fall of 1921 was due to the fact that business in this country was restricted because of the wages paid at the mines; and, as I have previously stated, it would have been very much better to have had a lower rate per day and more days' work This, to a very much greater extent, will apply to future conditions. Last year we were benefited by the English strike In the coming year we feel that in the interests of all it is much better for the men to have a lower rate of wages and steady work than the higher rates of wages and more or less unemployment

Statement Showing Number of Men Employed at the Dominion,
Scotia, Acadia and Springhill Collieries During
1921

	Sur- face	Under ground labor	Mining coal	Total
Dominion Coal Company, Limited	914	2455	1914	5283
Nova Scotia Steel & Coal Co., Ltd.	322	670	608	1600
Acadia Coal Company Limited	290	469	392	1151
Cumberland Railway & Coal Co., Ltd . .	323	413	354	1090
Total	1849	4007	3268	9124

Nova Scotia Steel and Coal Company Limited

"Statement showing number of days worked by each colliery for the years 1914 to 1921.

Colliery	1914	1915	1916	1917	1918	1919	1920	1921
Princess	234	267	303	306	297	296	305	276
Florence	229	263	292	303	292	262	296	255
Jubilee	115	...	241	298	290	249	294	165
No. 7	...	...	...	...	...	...	50	235

"Note—Jubilee Mine was closed down in the spring of 1914 and did not open for about two years.

"No 7 Mine is a new mine opened in the fall of 1920.

Cumberland Railway and Coal Company, Limited

"Statement showing number of days worked by each for the years of 1914 to 1921.

Colliery	1914	1915	1916	1917	1918	1919	1920	1921
No 2	288	268	284	303	295	299	292	222
No 6	..	..	..	...	...	305	261	200
No. 7	...	...	.	..	.	..	107	203

"Note —No 7 is a new mine opened in 1920

Acadia Coal Company, Limited

"Statement showing number of days worked by each colliery for the years 1914 to 1921.

Colliery	1914	1915	1916	1917	1918	1919	1920	1921
Albion	242	302	284	298	280	274	307	216
Allan	213	143	286	294	280	237	303	204
Acadia								
No. 3	.	.		221	280	268	304	116

"Note —No 3 Mine was closed down during the years 1914, 1915, and 1916 and re-opened in the spring of 1917

"An explosion and fire occurred in the Allan Mine in the fall of 1914 and the mine was closed till mid-summer, 1915.

Dominion Coal Company, Limited

"Statement showing number of days worked by each colliery for years 1914 to 1921.

Colliery	1914	1915	1916	1917	1918	1919	1920	1921
No. 1	244	267	296	289	296	292	293	271
No. 2.	228	252	302	301	299	293	295	241
No. 4.	207	240	298	299	297	291	290	225
No. 5.	227	254	295	298	294	288	290	200
No. 6.	219	235	294	296	295	284	300	207
No. 9.	241	257	301	301	300	291	290	239
No. 10	216	255	296	298	291	293	290	200
No. 11.	217	252	295	302	297	292	299	199
No. 12.	252	269	301	287	295	291	267	267
No. 14.	256	273	296	291	283	283	279	203
No. 16.	228	257	293	290	293	288	287	213
No. 21.	213	198	298	298	293	293	299	293
No 22.	222	271	300	298	289	296	296	283
No 24.	..	...	.	.	..	...	302	211

Statement filed by M A McColl on behalf of the Companies

"Mr Livingstone has referred to the desirability of the Province taking over the coal areas and operating them as a government proposition.

"In this connection, Sir, I would like to point out to you that the Nova Scotia Steel and Coal Company, as already set out, in order to secure for themselves a coal mining property for the purpose of making use of the ore in our Wabana field, purchased in 1900 the mines and property of the General Mining Association. At this time they paid for the property \$1,500,000 and borrowed the money at 5 per cent. The interest on the same for twenty years would amount to \$1,500,000 additional or \$3,000,000. They have expended in development and operations \$4,500,000 additional.

"The total receipts from the coal mined in excess of the actual amount paid out for wages and material amount to \$3,000,000, so that after twenty years' operation the company has extracted over 12,000,000 tons of its cheapest and most available coal and ores, on account of its investment \$4,500,000.

"The coal used for steel making purposes was in the earlier years charged at a price somewhat higher than could be obtained for this waste, slack product in the open market, and for the past six years it has been charged at the actual cost of production of run-of-mine coal—in some cases as high as \$7 a ton, so that you will see from this that the steel plant has not been favoured at the expense of the Coal Company.

"The common shareholders of the Acadia Coal Company (of which I am the General Manager) had in 1909 in their treasury the accumulated profits of a number of years during which they had paid no dividends and which amounted to \$750,000. As their collieries were becoming depleted they considered it advisable to make a large expenditure for the purpose of opening and equipping new collieries. With this in view they borrowed \$2,000,000 at 6 per cent interest. Since that time no dividends have been paid to the shareholders as of that date; the interest only has

been paid on the borrowed money, and the company now owes the Bank \$400,000. In other words, Mr Chairman, so far as the original shareholders are concerned, they would have been very much better off had they divided the \$750,000 between them twelve years ago and given the property away.

"In regard to the contention that the Company is asking its workmen to accept a wage out of all consideration for living conditions, we might point out that on the 1st of February 1921, a reduction went into effect at the steel plant at Sydney—where the men work almost next door to those same coal mining operatives. In order to produce steel at prices that would enable the Company to get orders, a common labour rate of \$2.80 for a ten-hour day was agreed upon at that date. That rate has since been reduced to \$2.50 for a ten-hour day. The same rate was also paid at the Steel Works at Trenton, and in both cases these employees, for the sake of endeavoring to help save the industry, were willing to accept the wages named rather than go entirely without employment.

"We might point out further that in the lumbering industry of the Province the wage of \$60 monthly paid to woodmen a little over a year ago has been reduced to from \$20 to \$30.

"Mr McLachlan speaks as though this was an unheard of rate and unworthy of any consideration. I would point out to you, Sir, on the other hand, that \$2.50 per day of 10 hours—or 25c an hour—is the regular rate for common labour in the Province of Nova Scotia since last July. Were I to make invidious distinctions and bring up an unfair comparison, I might state that the rates paid in some of the municipalities during the summer, fall and up to the present time are 15c per hour to common labour engaged in municipal work."

Statement filed by Mr A McColl on behalf of the Companies

"Previous to 1893, the coal areas on the south side of Sydney Harbor were owned and operated by a number of small competing companies. None of them had any considerable resources or surplus of capital for further development. The outputs were limited and while a large proportion of the product found a market in the maritime provinces and Newfoundland, the surplus had to be disposed of on the St Lawrence. Owing to competition with American coal as well as among the companies themselves, the marketing of their product in the St Lawrence was most irregular and led to continual irregularity of work not only during the closed season of navigation but throughout the entire year. In 1893 these properties were consolidated by the formation of the Dominion Coal Company Limited. This company not only brought in a very large mines, but proceeded at once to build a railway from Sydney to amount of additional capital for the necessary development of the Louisbourg and erected at that port a large coal shipping pier so that it would be in a position to ship coal all the year round. At its inception the promoters of the Company expected to find a large market in the New England States but in this regard they were disappointed as they found it impossible to compete with American coal.

brought by water from Newport News. They therefore turned to further extensions of the St. Lawrence trade, and as this business was only available during the summer months they found it would be necessary for the satisfactory operation of the collieries that large quantities of coal should be banked during the winter. Previous to the consolidation the companies had banked small quantities of coal but found the process exceedingly expensive on account of the large amount of slack coal produced for which no market could be found, and this condition became accentuated under the extended operations of the Dominion Coal Company. The discovery and development of the Newfoundland iron ores two years after the formation of the Coal Company offered an outlet for a large quantity of surplus slack if it could be proved satisfactory for steel making purposes. An exhaustive test of this coal was made at the blast furnace of the Nova Scotia Steel and Coal Company at Ferrona, and the results proved so satisfactory that a new company was formed, namely, the Dominion Iron and Steel Company, which purchased a part of the iron areas owned by the Scotia Company and proceeded at once to erect extensive works on the shores of Sydney Harbor. Having therefore satisfactorily disposed of its slack coal, which in many cases had been used by the former companies for ballasting railway tracks and sidings, and, in fact, frequently had to be dumped in the most accessible points, the Company proceeded to develop to its utmost the large and increasing market in the Quebec and Montreal districts. This made necessary large expenditures for storage space and discharging facilities at both these points as the company had to be prepared to supply its customers with coal in winter as well as during the summer season. So successful was the policy adopted that in 1914 the total shipments to the St. Lawrence were two million tons or more than two and a quarter times the total output in 1893, while at the same time there was found in the steel plant a regular customer for nearly a million tons of slack coal with consequent steady work to the men employed in the collieries.

"The Nova Scotia Steel and Coal Company, which originated in 1874 in a small blacksmith shop in the town of New Glasgow, Nova Scotia, extended gradually until in 1901 with a small blast furnace and steel plant at Ferrona and Trenton, by the purchase and development of Wabana Mines it found itself the owner of one of the largest iron ore deposits in the North American continent. Up to 1898 all the coal used by the company had been purchased from the various collieries on the mainland of Nova Scotia, but in that year a test made of Cape Breton coal proved that for the working of the Wabana ore that Cape Breton coals were, on account of their lower ash content, more suitable for steel making than the coals of Pictou or Cumberland counties. The company had also decided that it could not successfully operate unless it had a coal mine of its own, and as satisfactory arrangements for a consolidation could not be made with the Dominion Coal Company, it was decided advisable to sell a portion of the ore areas and purchase the property of the General Mining Association at Sydney Mines. Here were erected a blast furnace and open hearth steel plant, new mines were opened up and the output of coal increased from 225,000 to 900,000 tons annually. On this side of the

harbour the seams are much thinner than on the south side operated by the Dominion Coal Company. The operations at Sydney Mines are much older and further extended than at Glace Bay. They have been, ever since taken over by the Scotia Company almost entirely submarine and for those reasons as well [as] owing to the thinner seams are probably the most expensive collieries to operate in North America. It can therefore be easily seen that if the company wishes to sell its coal in competition with other mines it must have some advantage in the rates paid to employees, and there has always been agreement and co-operation in this regard. It is true a new colliery was recently opened in this district when the demand was abnormal, but owing to the poor quality of the coal the operation is but seasonable and the cost the year through does not differ appreciably from that of the other mines of the company. While it is true that as pointed out by Mr. McPhee, there has been a marked improvement in the tons mined per man over former practice, we would like to point out that the production is still one ton per man per day below that of the mines on the other side of the Harbour.

"The outbreak of the war, with the curtailed output caused by the enlistments of men from the working faces, the requisitioning by the British Government of steamers chartered by the company and the excessive increase in the cost of steamer tonnage, brought about conditions under which it became practically impossible for the companies to send coal to Montreal. On the other hand, the general demand for coal for other purposes gave a new market during the war for all coal that could be produced. The declaration of peace, while it at once brought to an end the demand for many commodities and a consequent depression in the industries producing them, only for a few weeks affected the coal industry of Nova Scotia. The disturbance in that trade caused by the unsettled labour conditions in Great Britain gave an impetus to our local coal trade which extended into the early summer of 1921 and opened temporarily a market in Europe and elsewhere which had not been available before the war. In 1921 every endeavour was made to retain the St. Lawrence market, but it was an uphill fight as most of the former customers had in the interim become purchasers of American coal which gave them good satisfaction and could be very conveniently landed in Montreal by rail or rail and barge. In fact, during the early part of 1921 contracts were made for large quantities of American coal for deliveries all through the year as at that time the Cape Breton companies could not compete with the prices offered except for such quantities as their own steamers could transport, as ocean freight rates were still too high to make new charters on a basis that would enable them to freight the coal to Montreal without a loss. Since the middle of last summer prices of coal may be said to have been not only on the down grade but to use a slang phrase "on the toboggan." Last July coal was being sold at \$12.00 per ton delivered in Glasgow, Scotland, and at higher prices in ports on the east coast of Europe. Coal was then worth \$7.00 per ton f.o.b. steamer at Newport News, and you can now buy all the American coal you want

at \$4.20 f.o.b. Newport News. Only last week 20,000 tons of British coal was sold to the Swedish railways at \$4.75 a ton delivered in Swedish ports. As already stated, there is a market in the St. Lawrence for 3,000,000 tons of bituminous coal. Contracts for part of this coal are now being placed and further contracts will be placed in the near future. To secure this business will mean much lower prices than prevailed last season. If our people are willing to do as the workmen of our competitors have done and accept the reductions proposed, which are nothing like as great as have gone into effect not only in other coalfields but in other industries in Canada, the Company is prepared to immediately proceed to bank as much coal as its facilities will permit, not less than 400,000 tons, which will provide comparatively steady work during the next three months, and all reasonable endeavours will be made to distribute the work over the various collieries. If this reduction in wages cannot be put into effect there is no alternative but to mine only such quantities of coal as can be disposed of without loss.

"In the mainland collieries conditions are somewhat different and even more difficult, but we are satisfied that with an improvement in the steel trade, and if we can regain our position in the St. Lawrence (and it must be done this summer if ever), the coal thus disposed of from Cape Breton mines will leave a much larger proportion of local sales available to Acadia and Springhill. In any case, with the reduced costs thus obtained we are satisfied we can prevent the recurrence of the unfortunate incident which occurred last fall when 20,000 tons of American coal were landed in St. John."

Mr. D. H. McDougall read a prepared statement giving what he termed an analysis of chief reasons submitted by United Mine Workers for maintaining old schedules. Below we quote from the statement:

"Mr. McLachlan's address was chiefly directed to two matters:

"(1) complaint that under the present schedule common labour was receiving too small a wage;

"(2) that the sole purpose of the decrease in wages was to enable dividends to be paid on the stock of the British Empire Steel Corporation.

"Previous to the war the common labour rate was 16c per hour, the present rate is 28½c on the surface and 31½c underground. There are 888 men who come within these classes employed by the Dominion Coal Company; of those 736 are not married. Of the married men 37 have sons who live at home and are working.

"Much comment was made upon the wages paid between 1905 and 1916. It is unnecessary to deal with these conditions as there have been several Boards since 1916 which passed upon and settled antecedent conditions and it is assumed that this Board will not review what previous Boards have satisfactorily adjusted.

"Mr. McLachlan referred to the difference between the wage scales for ordinary labour, in our coal mines and in Western Canada. It may first

be pointed out that under the agreements by which the U. M. W. entered Nova Scotia it was expressly understood that the wages and conditions of work were not to conform to other districts in which the U. M. W. was organized. Recent advices are that collieries are being closed in Western Canada and that the men are voluntarily accepting low rates of wages in order that they may secure employment and that the mines may continue to maintain their old customers pending the advent of better times. Further we have been excluded from shipping coal to the European market by the remarkable fall in wages. In England common labour is now reduced to \$1.44 from \$1.68 per day and coal from England is now being landed in New York. From three to five thousand tons of English coal have been offered in Halifax this week at rates with which this company cannot compete. At the reduced rates paid labour in England, Welsh coal brought out in grain carrying ships will be a serious competitor of all coals in the St. Lawrence market.

"With reference to the second point in Mr. McLachlan's statement, that the sole object in reducing wages was to enable dividends to be paid to the shareholders of the British Empire Steel Corporation, a complete answer is that no dividends have been paid, either on the second preference stock or on the common stock of that company since its organization, and trade conditions are such that the outlook for a dividend in the near future is not promising.

"Regarding the wages that this company pays its men, Mr. McLachlan correctly stated, when recommending the Montreal Agreement to the men, the wage scale existing in Nova Scotia and the conditions of the miners. His speech is reported in the Halifax Herald of the 17th November, 1920, as follows:—'Since 1913 and including the proposed agreement, the wages of shift men in the mines of Nova Scotia had increased 145 per cent against 111 per cent in the United States for shift men, and 88 per cent for contract men. The Montreal increase is larger than that received by the British miners who recently returned to work. He declared the miners of Nova Scotia earned higher wages than the miners of the United States.'

"It may be noted, too, that all Mr. McLachlan's figures in dealing with the profits of the company, and his quotations from the reports of officers of the company are referable to time when trade was good and prices high and he does not attempt to deal with an admittedly falling market and world wide depression, with no encouraging outlook.

"The reserve of \$26,000,000 mentioned by Mr. McLachlan is made up of total reserves of the several companies entering the merger and as clearly shown by the individual balance sheets of these companies has been re-invested in plant and equipment.

"No fair criticism can or ought to be made against the establishment of the steel plant, particularly by friends of miners. It is submitted to the Board that the reason that induced interests allied with the coal company in 1900 to found the steel industry was because a large part of the product of the mines was then wasted and work frequently curtailed for lack of a market.

"The steel plant at Sydney represents a great effort made by the people of Canada to establish a basic industry in Nova Scotia, and during the war the wisdom of its establishment was fully demonstrated. The coke ovens, blast furnaces, mills and power plants compare favourably with any plant in the world.

"The non-operation of the steel plant means restricted and handicapped operations at the coal mines, and much of the present unemployment at the collieries is due to lack of business at the steel works.

"It is well known in Nova Scotia that the true reason for the merger was to settle a difficult situation with reference to coal areas in Nova Scotia and ore areas in Newfoundland and owned by competing companies. This has been accomplished."

Memo in reply to statement of Mr. Hanway. Filed by Mr. D. H. McDougall on behalf of the Companies.

Over-Development of the Bituminous Coal Mines of the United States

"Our statement that the producing capacity of the bituminous coal mines of the United States was in the vicinity of a billion tons per annum was made on the authority of Mr. John P. White.

"A study of the reasons for the irregularity in operation of the bituminous coal industry was prepared by Mr. F. G. Tryon, of the United States Geological Survey, in March, 1921, from which the following statement is extracted:—

'In 1915 the annual capacity of the soft coal mines was about 675,000,000 tons. Today it is certainly 800,000,000 tons and there is evidence pointing to a figure of 900,000,000 tons. The increase has been particularly marked during the last twelve months. It is not due alone to the opening of new wagon mines or the re-openings of old mines long abandoned. It means also a number of large new workings and heavy investments in new development work, new equipment and new mining machines at properties already established.'

"Mr. Edwin Ludlow, President of the American Institute of Mining Engineers, has recently stated the bituminous coal industry of the United States is developed to produce twice the normal consumption requirements of that country.

Delivered Prices of United States Coal at Montreal

"Replying to Mr. Hanway's statement that coal from Westmoreland County and the coking-coal regions of the neighbourhood of Pittsburgh could not be delivered in Montreal except at such high prices as to render them non-competitive with Nova Scotia coal delivered at Montreal, we have under date of December 28th a letter from Messrs. Pilling and Company, the largest bituminous coal brokers in Philadelphia, offering us coal from the Pittsburgh seam such as is ordinarily used for coking purposes and giving 14,300 B.T.U.'s at a price at the mines of \$1.65 per ton,

which would cost us delivered at Montreal \$7 03 per ton, including freight, duty and premium on New York funds. We are also offered by these people coal from Indiana County at \$6.95 per ton delivered in Montreal.

Wages Scales in the United States

"The Company has admitted in its memorandum that it cannot hope to pay a scale of wages as high as is paid in the coal fields of the United States, but Mr Hanway has specifically brought up the fields in Eastern Kentucky and Tennessee, in regard to which we desire to file a copy of the *Coal Trade Bulletin* of January 2nd, 1922, on page 116 of which will be found the report of the arbitrator in the matter of an application of the coal owners in unionized districts in these states for relief from the high scale of wages called for under the Knoxville Agreement

"The arbitrator, in deciding that wages should be reduced to the scale of November, 1917, made the following statement —

'It is claimed that the miners cannot live under the 1917 wage scale; it has been proved beyond the shadow of a doubt that many thousands of them have been unable to live under the present wage scale because it has made the operation of a larger number of the mines impossible, therefore to these the scale has been utterly useless, but that is not all, we are now confronted with the fact that because of the present scale all the railroad mines will be immediately compelled to close unless the present scale is reduced, and the further fact that some thirty mines where some three thousand men are employed are in many instances at the request of the men themselves already working under the 1917 scale'

"The common labour rate on the surface under this arbitration award is reduced to \$2 64 per day.

"With regard to Mr Hanway's reference to Logan County and West Virginia coals, we may state that coal from West Virginia, among other coals, is referred to in our memorandum given to the Board as competing at this time directly with our own coal in the Maritime Provinces and the Gulf of St. Lawrence This coal is hauled by rail to Newport News and is shipped from there by water

Freight Rates

"With regard to Mr. Hanway's statement that freight rates cannot be reduced before next Autumn, would state that every effort to reduce freight rates on coal and mineral products is being made by the mining bodies in the United States, in support of which might be quoted the following remarks of Mr Morrow, Vice-President of the National Coal Association, taken from the New York Times of Friday, the 20th January, namely:—

'While we sincerely desire the financial position of the railways to be preserved,' said Mr. Morrow, 'we feel that substantial reductions in bituminous coal freight rates are a prerequisite to the industrial and

business revival of the United States upon which the prosperity of the carriers, as well as the nation at large, in the last analysis must depend. We feel that a material reduction in these rates would act in some degree as a stimulus to business and, therefore should reduce the operating expenses and tend to increase the revenues of the carrier. The facts which lead us to these conclusions apply with particular force to this basic commodity which enters so fully into the economic and social well-being of the nation. Therefore, if this commission thinks that any rate reductions are warranted we specifically submit that the heavy nation-wide cuts in the present high bituminous coal freight rates should be the first reductions ordered. 'The freight rates,' Mr Morrow said, 'had advanced from 75 to 200 per cent or more since 1914. The freight charge of \$150 or \$200 on a car of coal which can be bought at the mines for from \$50 to \$100,' said Mr. Morrow, 'shows on its face the disproportion between the transportation cost and the market value of the commodity.' Mr Morrow stated that 49½ per cent of each dollar paid for coal ordered by the manufacturer went to the operator out of which all his costs come, while 51½ per cent went to the freight rate of the coal.'

Comment on Mr McNeil's Statement

"Mr. McNeil, in his remarks, referred to the sworn testimony of Mr C W Caye, Purchasing Agent of the Grand Trunk Railway, before the Parliamentary Committee on the Future Fuel Supply of Canada in April, 1921, and his statement to the effect that American coal could be landed in Montreal at \$7.94. In July of the same year the Grand Trunk Railway placed before the Dominion Coal Company information to the effect that American coal could be landed in Montreal for \$7.38, and a contract was entered into between the Dominion Coal Company and the Grand Trunk Railway for 150,000 tons of coal at that price.

"We have revised Mr Caye's figures to conform to reduced freight rates and lessened amount of exchange at December, 1921, but permitting the price at the mines to remain the same, the total cost landed in Montreal on that basis is \$7.11 per ton as against \$7.94 last spring.

"Leaving out for the moment any change in the price at the mines, we have an actual reduction of eighty-three cents per ton as between the date of Mr. Caye's testimony and December 1921.

"If we further revise Mr Caye's figures and apply the current selling price at the mines of \$1.75 per ton, the price would be \$6.56 per ton landed in Montreal in December, as against \$7.94 last spring.

"If we take Mr Caye's figures and apply our estimate of the conditions expected to govern prices in the spring of 1921, the estimated price at Montreal will be \$5.59.

"We note there was handed in by the men's representatives a copy of the Report of the Commission appointed in July, 1920, for the purpose of looking into the mining industry of Nova Scotia. The Commission brought in its findings on the 9th September, 1920.

"This report, which was evidently prepared without a complete un-

derstanding of the situation, was eventually rejected by both parties concerned and at a later date the operators and men's representatives got together and framed the Montreal Agreement.

"We feel that it is necessary to add at this stage that the report of the Commission was made at a time when great scarcity of coal prevailed in America, in Europe and all over the world, and a time also when the cost of living had just previously reached its highest peak. Conditions which faced the Commission are entirely different from those with which we are now dealing, and their findings—never properly applicable to the situation—clearly should not be considered in view of present conditions

Memo on Family Budget

"The Company's employees mostly live in a Company house and water rate is added to the rent.

"Figures for rental, light, fuel and water are given in the budget for one year as follows —

House rent	\$100 00
Coal (20 tons)	65 00
Light	25 00
Water	6 50
	<hr/>
	\$196 50

"Actual average expenditures of workmen for these items in 1921 were as follows—

House rent.	\$72 00
Coal (14 tons)	45 50
Light	7 50
Water	9.00
	<hr/>
	\$134 00

"The Company does not desire, however, to criticize the expenditure, but does oppose the inference that this class of workmen, earning the lowest rate, is representative of the family earnings and expenses of their workmen as a whole.

"It is unfair to base the whole plea of the workmen upon an exceptional instance

"The number of men receiving the rate of \$2 44 per day is at the Dominion Mines 788 (the previous figure was overstated by 100 men)

"These 788 men include 50 per cent of boys and are classifiable as follows:—

Under 21 years of age	395
Married men	152
Over 21 years unmarried	241
	<hr/>

788

"Of the 152 married men 37 have boys living at home and adding to the family earnings; 21 have no dependent children and 59 are men who

would find much difficulty in finding employment elsewhere if the Company did not retain them on its payroll.

"Regarding the 241 unmarried men, the Company would point out that it requires a large number of additional face-workers or miners to balance the other mine employees, and there is an opportunity for any and every able-bodied man to qualify for a position in the mine that will give him much higher wages, and the Company's efforts have for months past been directed to inducing these men to take work at the coalface.

"The average wage of all classes of men employed at the Dominion Coal Company's mines in 1921 was \$1,450. This average includes men and boys and represents not alone the rate of earnings but the actual money taken out of the office."

The following Statement was read and filed with the Board by Mr. J. J. McNeil.

"To my mind the case presented by the representatives of the British Empire Steel Corporation outraged all rules of logic and sinned mortally against justice.

"Their main argument, if I may dignify it as such, was that wages must be reduced if the Cape Breton coal operators are to meet American competition in the St Lawrence market. The statements with which they attempted to bolster up their case in this connection, were for the most part mere declamation, backed by no semblance of proof. In refutation of the inconclusive argument they formulated anent the St Lawrence markets and American competition we have the sworn testimony of G. W. Caye, the purchasing agent of Grand Trunk Railway, to the effect that American coal transported from mines owned by the Grand Trunk in Ohio could be landed in Montreal for only 7 94 without any allowance being made for profit. The coal of the Dominion Coal Company according to testimony given before the same committee was landed at Montreal for 8 10 with an unknown profit included, a figure only 16 cents higher, though coal from the American mines owned by the Grand Trunk could be landed at actual cost plus transportation charges. Had an allowance been made for a reasonable profit on the coal from the Grand Trunk mines in Ohio, it is certain that they could not have landed coal in the St Lawrence market at a price to compete with, to say nothing of underselling, the Dominion Coal Company. . .

"The gloomy forebodings that the officers of the B E S Corporation experience in reference to lower prices in the St Lawrence market next spring are based on an assumption which is not only illogical but narrowly escapes being absurd. By dipping into the future they forecast a substantial reduction in American freight rates which will enable their American competitors to land their coal at Montreal cheaper than they could last summer. Their fallacy here consists in this, that though they predict a substantial reduction in American freight rates, they postulated a continuation of our excessive transportation charges in Canada. If it is a valid assumption to state that there will be a substantial reduction in American freight rates, surely it is no less valid to assume that present transportation charges both by rail and water, which now adversely affect

the B. E. S. Corporation, will undergo an equally substantial reduction next spring. Indeed the utter lack of carrying trade in Canada today would furnish a sound basis for the contention that ships next spring can be chartered for "an old song."

"When speaking of American competition the representatives of the B. E. S. Corporation admitted that the wages paid American miners are far in excess of those paid in the Cape Breton coal fields. The wage cost entering into the production of a ton of coal in American mines is therefore greater than the wage cost entering into the production of a ton of coal in Cape Breton. If therefore the B. E. S. Corporation cannot compete with American coal in the St. Lawrence market it is not on account of wages. The other items entering into the total cost of coal in Cape Breton, such as 'deflition (?)' 'defucention' (?) administration and sales profit, etc, must be greater than the same items in American mines. There therefore can be no just or satisfactory settlement of this matter until the production costs in the mines of the B. E. S. Corporation are produced. These costs were persistently called for by the parliamentary fuel committee last spring, but owing to some unfortunate and unexplainable difficulty in locating Mr. Gordon, who alone possessed the information, these costs were not obtained. I think we are fortunate in having Mr. Gordon before the Board now, and we may be able to get from him today the information which the B. E. Corporation defied a parliamentary committee and outraged public opinion to withhold.

"The contention of the company's representative in reference to the cost of living would be highly humorous were it not dealing with such a serious and acute matter. Their argument that living costs had declined in December, 1921, to 42 per cent above 1914, is based upon a family budget for a solitary family, to which they did not even give a 'local habitation or a name' and from calculation based upon this nameless family concerning which we know nothing, other than it is supposed to exist, they deduce the gratifying news that the prices of foodstuffs, clothing and other necessities are now but 42 per cent higher than they were in 1914. In refutation of this general conclusion which they drew from a particular case we may confidently uphold the figures concerning the cost of living already submitted to the Board by Mr. McLachlan and which stand unchallenged and unrefuted.

"Mr. McDougall's rebuttal was taken up principally with a defence of the so-called merger. I was sorry to hear such a worthy man defending such an unworthy cause. The inception of the B. E. Corporation took place according to Mr. McDougall 'to settle a difficult situation with reference to coal areas in Nova Scotia and iron ore areas in Newfoundland owned by competing companies.' Although we admit that the somewhat vexatious question involved between the competing companies was settled by the inclusion of those companies in the merger, yet it is hardly probable the English stock promoters would conceive and bring forth a monopolistic baby like the B. E. Corporation merely to settle the question in dispute between a few rival Cape Breton coal companies. But if, according to Mr. McDougall, the merger was formed merely to settle such a dispute how comes it that a white elephant in the shape of the

Halifax Shipyards found its way into the merger, the expressed object of which was to settle a difficult situation in reference to submarine coal areas in Cape Breton? I don't believe that even the astute legal mind of my friend Mr. McInnis could find any connection between the Halifax Shipyards and the rival claims of competing companies to submarine coal areas in Cape Breton or iron ore areas in Newfoundland. But the Halifax Shipyards were included and the miners of Cape Breton are to be penalized and [impoverished] to pay dividends upon them. It is no answer to our argument in this connection to state as Mr. McDougall did that no dividends had yet been paid. They may not have been paid but unless Mr. McDougall wishes to go on record as saying that no dividends will ever be paid, we must take it for granted that they will be paid at some future date, and paid out of the labour of the men working in and about the mines controlled by the B. E. Corporation. And we submit that the Cape Breton and Pictou County miners should not be bled white to pay dividends upon what are now practically worthless assets.

"Mr McDougall's attempted defence of the proposed excessive reduction to the lower paid class of workmen was somewhat ingenious but has very little to recommend it from the point of view of justice. He tells us that there are 888 men in this class, and of these 736 are unmarried. There is a tacit admission here that is disastrous to Mr McDougall's argument. The care he exercised to group this particular class of labour into married and single shows that his conscience told him that the proposed rate for this class of labour was not sufficient to support a man blessed with a family. He therefore emphasized the fact that 736 of them were unmarried. That may be so, but the point is that each one of the 736 referred to possesses the right to be married and to become heads of families. This right is an actual right and it cannot be denied to the labourers by the B. E. Corporation or any other corporation under heaven. Because these men are single Mr McDougall would desire them to work for a wage that will forever keep them single and deny them the right to marry and make homes for themselves.

"Scotland's great poet once said

"To make a happy fire-side home for weans and wife

"This is the true pathos and sublime of human life'

"A corporation that would deny this right to its employees, has to my mind more to examine than mere wage rates and competitive conditions. It needs a thorough examination of conscience and a new code of morality."

THE AWARD *

1. The McKinnon award, the Patterson award, the report of the Royal Commission, also the Montreal Agreement, were frequently referred to in evidence before the Board. Therefore to clarify the under-

* Editor's heading

standing, we think it is well to say; information before the Board is that the McKinnon award was effective January 15th, 1920. The Patterson award, March 1st, 1920. The Report of the Royal Commission is dated September 9th, 1920. And the Montreal Agreement is dated November 1st, 1920.

The McKinnon and Patterson awards, also the Montreal Agreement, were accepted by both parties to this dispute. The report of the Royal Commission was rejected by the employees and the employer . . .

5 The Companies did not file with the Board a statement of earnings or cost of coal per ton f.o.b. cars or vessel that we can make public, but they did provide such statement for the private information of the Board. The statement of earnings submitted covering a period of three months ending December 31st, 1921, indicate the necessity for an immediate substantial reduction in expenses. It is the unanimous opinion of this Board that the cost of coal f.o.b. cars or vessel as shown by the statement is in excess of what it should be, and that the spread between cost of production and cost to the consumer is too great. The Companies involved in this dispute do not retail coal except in the immediate vicinity of the mines

6 Up to this point in this report the Board is unanimous. His Worship Mayor Ling dissents from recommendation made by Mr. U. E. Gillen, Chairman, and Col W E Thompson, Member, concerning reduction in rates of pay in the following paragraph, (No 7). Every member of the Board sympathizes to the fullest extent with men who may be required to accept a reduction in wages particularly where it means some hardship on the men or those dependent upon them; for that reason it has been most difficult for any two members of the Board to agree. The Board was repeatedly told by representatives of the Companies that in their opinion, if necessary reduction in wages were made so as to enable them to compete with foreign coal companies in our home markets, the mines would be operated to their full capacity; if, however, the necessary reduction in wages was not made, the mines could only be operated sufficient to supply what coal is required to meet the immediate demands of the markets open to them

7 The Montreal Agreement, dated November 1, 1920, was the result of negotiations between the parties to this dispute and prescribed rates of pay in effect until end of December, 1921. Immediately preceding the Montreal Agreement, the McKinnon Award, dated 15th January, 1920, was in effect; the rates in that award and one or more of the important clauses in the conditions, were the result of negotiations between the employer and employees; therefore after careful consideration of all evidence before this Board, we recommend cancellation of the Montreal Agreement, the recreation of the McKinnon Award, same to be in full force and effect on and after January 1st, 1922, except that the wages

of the datal men, who received \$3.25 or under per day under that award, be reduced 12½ per cent and that the wages of all other men be reduced 20 per cent.

By way of explanation, we may say the datal rates under the McKinnon Award were \$3.25, under the Montreal Agreement \$3.80, under the notice dated December 19th from the Companies abolishing Montreal Agreement and making a 25 per cent reduction on rates established by the McKinnon award, \$2.44. Under this award \$2.85. His Worship, Mayor Ling, says he will submit a minority report.

MINORITY REPORT

(1) . . In my opinion the wage rates proposed by the majority report, if enforced, shall condemn thousands of men, women, and children, engaged in the mining industry of Nova Scotia, to live in a state of semi-starvation, and work under a wage rate which was arrived at on very incomplete evidence.

(2) The Companies did file with the Board a statement of earnings or cost of coal per ton f.o.b. cars or vessels that the Board could not make public nor the miners' representatives allowed to examine and test the truth of, by witnesses, and therefore I was unable to agree with the other members of the Board to the slaughter of the miners' wage rates on such masked and unverified testimony.

The statement of the earnings submitted by the Company covering the three months' period ending Dec. 31st, 1921, was also unverified and hidden from the miners' representatives, but even if true, was altogether too short a period covered to admit of any reasonable conclusion being drawn from it. The statement covered the most abnormal period of the Company's operations, the mines working fifty per cent time and overhead charges continuing one hundred per cent, thus pushing up the costs to an exceptional and abnormal degree

(3) It is the unanimous opinion of this Board that the cost of coal f.o.b. cars or vessels as shown by the statement submitted by the Companies, is *in excess of what it should be*, and the spread between the cost of production and cost to the consumer is too great. Therefore, I dissent from the majority report in making sweeping reductions of the wage cost and thus increasing and widening an already dangerous and criminal spread between the producer and consumer.

(4) Almost all the other "evidence" submitted by the Companies was conjecture, surmise, and guess-work, and not a statement of facts at all. They conjectured that the price of coal in Montreal market would be less than it now is, six months hence, they surmised that freight rates in the United States to the Canadian border would be lower in the months

to come. They guessed that the rates of exchange between this country and the United States would go down in the future. I was unable to come to any conclusion at all on such guesswork evidence, and therefore dissent from the findings as outlined in the majority report.

(5) Exhibit "I" which you will find attached hereto, is a copy of page 20 of the Financial Statement of the Dominion Steel Corporation for the year ending March 31st, 1921, and was submitted to the Board by the representatives of the employees. This exhibit proves that the earnings of the Steel Corporation were \$3,678,311.76. But the steel end of this corporation is half idle now, and when working under normal condition can, according to the evidence of the employers, only be made to pay when coal is supplied to it from the mines at a rate away below market prices. I am strongly of the opinion that both coal mines and steel work should carry their own legitimate load of cost.

(6) I made an earnest and sincere effort to agree with the other members of the Board to find such a solution of this difficult question as was likely to bring peace and steady employment to the coal industry of Nova Scotia; and in this connection I went even further in the matter of reducing wage rates than under other circumstances my best judgment would have allowed me to go. And as I fully believe that the majority report will utterly fail to bring peace and harmony between the employers and employees of the Companies affected I therefore respectfully submit to your Department and the parties directly affected, the following as a working agreement:—

(a) That a contract be entered into covering the period from January 1st, 1922, to December 31st, 1922, and in the event of either party desiring a change, that the party desiring the change shall give thirty days' notice prior to December 31st, 1922.

(b) That in the event of neither party asking for a change as above outlined, then the contract shall be continued subject to a thirty days' notice from either party at the end of each four months period commencing January 1st, 1923.

(c) That all contract rates prevailing December 31st, 1921, be reduced 14 per cent.

(d) That a minimum rate of \$3 50 per day be established for all datal rates other than boys.

(e) That bearing in mind section (d) that all other datal rates be reduced, but not in any case more than 55c. per day.

(f) That all datal rates paid by the Nova Scotia Steel and Coal Company be made to conform to the same class of rates as paid by the Dominion Coal Company and the Acadia Coal Company.

(g) That the rules governing working conditions be the same as those in the so-called Montreal Agreement.

EXHIBIT "I"

Dominion Steel Corporation Limited and Constituent Companies

Consolidated Profit and Loss Account for the fiscal year ending March 31, 1921.

Net earnings (including interest on investments and surplus funds), after deducting all manufacturing, selling and administration expenses, and provision for income tax, but before charging sinking funds, depreciation and interest	\$7,212,750.71
Deduct—Provision for sinking funds, depreciation and renewals, etc	1,583,662 22
	<hr/>
	\$5,629,088.49
Deduct also—interest on bonds and debentures	970,776 73
	<hr/>
	\$4,658,311 76
Less—Preference Dividends for year ending March 31, 1921: Dominion Steel Corporation, Limited .	\$420,000 00
Constituent companies	560,000 00
	<hr/>
	980,000 00
	<hr/>
	\$3,678,311 76
Add—Balance April 1, 1920	8,211,236 58
	<hr/>
	\$11,889,548 34
Deduct dividends on common shares of Dominion Steel Corporation, Limited, at the rate of 6 per cent per annum	2,226,000 00
	<hr/>
	\$ 9,663,548 34
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Note.—The above is a copy of page 20 of the Dominion Steel Corporation, Limited, and Constituent Companies' Annual Report and Statements for year ending March 31st, 1921.

107—ARBITRATION—MEN'S CLOTHING INDUSTRY—
CHICAGO, (1921)¹

When the unfavorable condition of business in general, and in the particular industry concerned is given as a reason for wage reduction, it is sometimes argued that such wage reduction will not serve to bring about an improvement in the business situation in the particular industry, and therefore should not be made. This view is based on the opinion that business recovery depends

¹ Board of Arbitration for the Agreement between the Amalgamated Clothing Workers and Chicago Clothing Manufacturers, 1921.

not upon the reduction of prices, but upon the restoration of confidence in the minds of the consumers.¹ The main aspects of this question are discussed in the decision reprinted below, which is full of interesting analysis of other matters also, as well as clear in its restatement of contrasting views.

I—The Requests Presented by the Manufacturers

The specific requests presented to the Board by the Manufacturers read as follows:

"We respectfully request the following readjustments, and we ask that they be put into effect immediately after the conclusion of these proceedings

"1. A flat reduction of 25 per cent in the wage scales throughout the market. . .

II—The Main Points Made by the Manufacturers in Support of Their Requests

The Manufacturers have presented a brief containing a statement of fact and a large amount of statistical data and have advanced and emphasized several arguments in support of these requests. The following summary, though it cannot do justice to the presentation of their case, must suffice.

1. For almost a year the clothing industry has suffered from acute depression. The manufacturers have taken large losses and have pared down to the bone all items of expense except direct labor costs which have been beyond their control. The direct labor costs have not been reduced, but have in fact been increased because, with the small volume of production, the week workers as a whole have done less work for a fixed amount of pay. By reducing wages and profits the textile manufacturers have been able to reduce their prices, with the result that the cost of materials has been reduced about 37 per cent. Materials used normally amount to about 36 per cent of the cost of manufacturing clothing so that in the total cost of manufacture (overhead and other items included) there has been a saving of some 13.32 per cent. The retailers have now done their part. Hence at every point from raw materials to the retail trade, except in direct labor in clothing manufacture, deflation has occurred. This exception must be eliminated. The manufacturers have waited patiently for months and now ask for a reduction.

2. The manufacturers' costs are too high. They must be reduced and a proper balance restored as a condition of return to normal business and a fair relationship. This is the most emphasized reason for the requests presented. "We base our request for a reduction upon

¹ This view was firmly upheld for example by the New Zealand Industrial Court, which despite depression and a falling cost of living kept wages stabilized at the same figure from November 1920 to May 1922—with an apparently satisfactory outcome. See J B Condliffe, "Experiments in State Control in New Zealand." *International Labour Review*. March, 1924. pages 346-p.

necessity in the interests of all parties of stimulating a revival of business." "The reduction we have asked, in our judgment, is the least with which we can face the public with a fair expectation of a favorable response." . . .

5. In the third place, labor costs should be reduced by a general flat reduction of 25 per cent. A distinction must be made between (a) the rate of pay and (b) earnings, for earnings depend upon the amount of employment as well as upon the rate of pay. It is contended that the proposed reduction would so stimulate sales and enlarge the volume of business that the workers' earnings would not be reduced but increased. A careful study of the facts "has convinced us that the readjustments asked for are absolutely necessary as a basis for return to normal business, and, consequently, to normal employment." "Our proposal is not to reduce the size of the pay envelope for we firmly believe that the effect of the readjustment of wage rates to the changed industrial conditions will be to increase the size of the pay envelope." "What we now propose is to create conditions under which we may hope to market our products, do a normal amount of business on the basis of a fair return to the different contributing factors, and give our workers, on a fair basis of compensation, a normal amount of work. That this will greatly increase the aggregate amount that goes into the pay envelopes of the workers there can be no doubt," for (a) the "buyers' strike" of last year against the high prices of clothing was not without a connection with the award of higher wages in December, 1919, (b) sales managers and others in close contact with the buyers of clothing are convinced that the volume of sales the ensuing season will be greatly influenced by the judgment of the public as to how honestly and sincerely all the production factors have deflated their costs, and (c) special price sales show conclusively that the public even now responds when they believe that prices are as low as they can be made. . .

III—The Union's Position Summarized

The main contentions of the Union, as presented in briefs and at the public hearings, may be summarized as follows. As far as possible its claims have been arranged so as to parallel those made by the Manufacturers. . . .

3 The purpose of labor deflation is said to be to reduce prices and to increase the volume of business. The employers have not proved that labor deflation would accomplish these purposes.

The depression through which the clothing industry has just passed is part of a general business depression due to a great complexity of causes, both domestic and foreign. Any measures taken in the clothing industry alone give no assurance of business revival in this industry. The business of the clothing industry depends upon general business conditions in the country.

When the clothing manufacturers ask for a reduction in the cost of clothes, they must have in mind some standard cost at which it will be possible for them to market a considerable output. An analysis of the

cost figures submitted by the employers shows a great diversity in costs of different houses. The employers have not indicated what they consider a proper cost at which they can market their output. What is proper for one house would be improper for another. In fact on the showing of some firms it would take an enormous reduction in wages, assuming the figures to be correct, in order to eliminate the loss under which these firms say they are now operating.

The Union contends that the only issue with regard to costs relates to the fairness of the present general level. The figures the manufacturers have presented show that the present costs in this market are fair. They are fair because even after the reductions which employers say they have made in other items of cost, direct labor cost still remains for ten of fourteen houses reporting, less than thirty per cent of the total cost of manufacturing. Even if these figures for 1921 are not directly comparable with those of 1915, they still show very little change in this period of six years in the relation between direct labor cost and total cost.

Moreover, it does not follow that any lower cost would be a fair cost. The industry is under obligations to its workers to assure them a decent standard of living. It may very well be that a reduction in costs would reduce the price of clothes but it is open to question whether either the reduction in cost or reduction in price would yield a cost and price fair either to the workers or to the industry.

Assuming that a reduction in wages will lead to a reduction in price, it is nevertheless true that stimulation in buying will come not as a result of a series of continuous reductions in prices but with the restoration of confidence in the minds of consumers. The consumers must be assured that prices are now stable and that the product is being sold at a fair level. It is the Union's position that prices based on the present level of costs in this market are as fair as they can be made without reducing labor's standards won after hard fights and at great expense.

4. There is no reason to expect that if a cut is made at the present time, there will be a substantial increase in the volume of business resulting from the cut.

Evidence submitted by the manufacturers of the opinions of sales managers and of the results of special price sales is not conclusive because it does not follow that an increase in the sales of an individual resulting from a price cut means an increase in the business of the whole industry resulting from a similar cut. A year ago in the clothing industry, according to statements of the employers, the price of clothes was considerably higher than it is now. Labor cost at that time was either the same or slightly different from what it is at the present time. The differentials that existed in 1920, between labor cost and price did not redound to the advantage of labor. There is no reason why any differential which exists at the present time should rebound to the disadvantage of labor. .

11. All signs point to the existence of a business revival in the clothing industry at the present time and to a continuance of that revival over an indefinite period. While newspaper comment must be discounted,

there can nevertheless be no doubt that the general tone of optimism is much more decided now than it was two months ago. Indeed what is now taking place in the clothing industry is evidence of the accuracy of the predictions made several months ago of a general business revival and of a revival in the clothing industry. While the early figures for orders submitted by the manufacturers were not favorable, later data bringing this material up to March 15, 1921, indicate that business activity had set in

All signs, so far as general business is concerned, point to the existence of a similar business revival. Banking statistics point to the end of the depression. The same is true of statistics of business failures.

12. Under the operation of the agreement, the Union has made contributions to the efficiency of the market for which it feels it should receive compensation. Co-operation of workingmen cannot be asked if the workingmen are led to believe that the results of this co-operation will bring them no advantage. There is no doubt that the Union position with regard to the introduction of piece work and the introduction of machinery has made possible with least friction substantial reductions in the cost of producing clothes. Of such reduction the members of the Union should receive some part.

13. In periods of rising prices and of business activity the Union has exercised its powers of discipline over its members, and has restrained them from accepting substantial increases in wages which they could have received with great ease and which indeed were frequently offered by the employers themselves. The agreement has therefore operated in such periods so as to stabilize the market and reduce labor turnover. The Union feels that in return for the stability and restraint granted in periods of business prosperity, the members of the Union should be assured by the agreement the same stability and protection against instability when there is a business lull and when the market is falling. It would be entirely natural for its members to feel that an agreement which made for stabilization in periods of business activity when they were asked to make sacrifices and which did not ask the same sacrifices of manufacturers in periods of business depression, was unfair to them. It would be unfortunate indeed if the workers were made to feel by a decision that the Board of Arbitration employed double standards.

14. In practically all of the adjustments in wage rates made in this market, the higher priced workers have always taken very low increases, since it was the Union policy to use the official increase granted to it to raise the exceedingly low levels of the most poorly paid workers. A wage reduction at the present time, therefore, would have the double effect, first of reducing the standards of the low paid workers whose standards were for the past six years raised only after considerable effort, and in the second place of reducing the standards of the more highly paid workers whose wages never advanced nearly so rapidly as did the cost of living, and whose wages therefore at the present time should not be reduced because of a slight downward trend in the cost of living.

15. Finally, the Union questions the power of this Board, acting within the existing agreements, to make a wage award unless there has been "a general change in wages in the clothing industry." It contends that no such general change has taken place. . .

V—An Examination of Some of the Claims Presented

The Chairman of the Board has examined and carefully weighed the claims and data presented by Manufacturers and Union and has himself collected considerable data for his guidance in arriving at a decision. However, before setting out the decision arrived at and the reasons for it, he wishes to make some observations bearing upon some of the claims as summarized above. . .

2. Much has been said by both Manufacturers and Union as to the business situation, employment and profits and as to the effect of a reduction of costs of manufacture upon these. With reference to these the Chairman makes the following statement of fact and opinion

During the life of the existing labor agreements the manufacturers have experienced their greatest business expansion and perhaps also their most serious business reaction.

From early spring, 1919 to April, 1920, there was a tremendous demand for clothing in spite of the increasing and, no doubt, profitable prices at which it retailed. While the business of the wholesale tailors merely held its own for the lightweight season of 1920 as against the lightweight season of 1919, the orders received by the wholesale clothiers more than doubled. The weighted average of wholesale prices received by the latter group of manufacturers increased approximately \$12.75 per suit, an increase of about 29 per cent. No inference should be drawn from this figure as to added profit realized for the increase in prices was accompanied by increased wages and prices of materials. And perhaps relatively more of the higher grade suits were sold.

Then a business reaction developed in April, 1920, and though the situation has improved, depression has not as yet disappeared. The development of this reaction is explained largely by a change in the attitude of the public towards clothing at the retail prices then prevailing. No doubt, the fact that the market had been pretty well saturated by liberal buying also enters into the explanation. But whatever the explanation, the number of orders received shrank, cancellations of orders became numerous, and much clothing delivered was returned to be disposed of at a loss. Then followed business depression in most industries with the result that the buying of clothing has been more closely limited to absolute needs.

This business reaction has begotten the keenest competition among manufacturers and has been accompanied by very sharp price reductions to stimulate buying, much selling at a loss, much short time work and unemployment and great loss of earnings by workers as well as of profits by manufacturers. Both the decreased volume of business and the loss of employment by workers during the latter half of 1920 are indicated,

though not accurately measured, by the reduced payrolls of typical houses, these doing the greater part of the manufacture in Chicago. As against a full time payroll represented by 100, the average in the ready-made coat shops for the first six months of the year was 93.5, for the second six months 64.3. The corresponding figures for the coat shops of the special order houses were 75.6 and 59.9. The figures for the other shops and the cutting and trimming rooms of the two classes of houses were quite similar to those for the coat shops.

Coming to the present light weight season, ten typical special order houses show for January, February and the first half of March this year 53.0 per cent as many orders as were received in the corresponding period in 1920 and 53.1 per cent of the number received for the corresponding weeks in 1919. The "bookings" of light weight orders (in terms of suits) by ready-made houses from October to March 15, 1921, have been practically 43 per cent of the "bookings" to the same date in 1920, when excessive orders were placed by retailers so as to secure deliveries to cover their needs, and 91.7 per cent of those for 1919, which season was somewhat depressed because of the uncertainty immediately following the ending of the war. A weighted average of the wholesale prices shows a reduction of about \$10 from last year, this being a reduction of 23.2 per cent. This reduction has been covered in part by the reductions in the prices of materials, these reductions being estimated at 37 per cent. It has been partly offset, also, by the sale of relatively more of the cheaper grade of suits. On the other hand, with the reduced volume of business, the cost of "direct labor," insofar as on week work, has increased in considerable degree, and the "overhead" and selling expenses have increased in very much greater degree. From data supplied by a large number of manufacturers in a form requested by the Board, it appears that with the changes in prices induced by keen competition and in costs of manufacture and sale, a large part, if not most, of the business is being done without profit and much more than normally is being done at a loss.

As stated above in the summary of the Union's contentions, in a large majority of the cases the direct labor cost is less than thirty per cent of the total cost of manufacture. Any such percentage is, however, much affected by the volume of business and the method of valuing materials used and figuring general overhead.

What would be the effect of a reduction of wages on prices and the volume of business? Obviously it is a matter of opinion, but to a considerable extent opinion can be attached to experience. The Chairman's opinion has, of course, had much to do with the decision arrived at by him insofar as the request for a general reduction is concerned.

Though the clothing business shows improvement, it is far from normal as regards the volume of business and profits. Of course a reduction in wage rates would be followed by some increase in buying, if we may assume that any saving in labor cost will be passed on to the consumer. There is, however, no substantial reason to believe that a reduction of twenty-five per cent, as requested, would so favorably affect business that earnings would be maintained or increased because of the increased amount of work. Of course if one dealer cuts his price \$5.00

and other dealers do not, he may greatly increase, even double, his sales. So may a manufacturer. But it does not follow that what one can do, all can do. In the one case the increase in sales results largely from diversion of business from others. In the other case it must come from the diversion of purchasing power from other things than the buying of clothing

The fact is that the volume of business and the amount of work in the coming months will depend more upon what happens outside the clothing industry than upon what happens within it. If general business conditions improve materially, as many think they will and as there is much reason to think will be the case, there will be a good demand for clothing, for people will in that event have money to spend and will be of an optimistic frame of mind. If, on the other hand, there is widespread unemployment and reduced earnings in other industries, a great reduction in the cost of producing clothing would not make the clothing industry normal or anywhere near normal. In other words, there is much in the situation entirely beyond the control of the clothing industry. In fact the clothing industry is a very dependent one; very dependent upon the ups and downs in the general business situation.

Nevertheless, what happens within the clothing industry is also of importance in this connection. In the first place, it has been suffering for months from uncertainty as to what costs and prices were going to be and from a feeling that prices were going to be lower. This is clearly shown by the communications the manufacturers have received from retailers. There has been and is much waiting or "holding off" by consumers and retailers. Certainty as to costs and stability in the market would be helpful regardless of any change in costs and prices. But, it must be said that if costs were reduced but instability still continued because of unusually keen competition for business and price cutting, there would still be more or less waiting.

Moreover, whatever may be the merits of the case, there is a rather prevalent feeling that prices are too high and that something should be done and will be done to bring them down to that indefinite and undefined thing, a "fair level." The psychological effect of a readjustment in costs, provided any saving is not withheld from consumers, would have a favorable effect on the clothing business.

To an extent, therefore, the Chairman shares the views of the Manufacturers. A reduction in costs and prices should stimulate business to a certain extent. The Chairman does not, however, share the Manufacturers' view that a drastic reduction in wage rate would so stimulate business as to maintain or to increase earnings. . .

108—ARBITRATION—PRINTING INDUSTRY— WASHINGTON, D. C. (1923)¹

It is obvious that the "condition of industry" is not easy to define at any given time, that wage disputes arising during a period

¹ Arbitration—The Typothetae of Washington vs. Columbia Typographical Union No. 101 Washington, D. C. (1923). pages 9-14.

of transition from one phase of the business cycle to another present unusually difficult problems of judgment. This dispute illustrates such a situation. It came up for decision during the first period of recovery from a depression which had been accompanied by a decline in the cost of living, and a great drop in profits. Should wages be reduced in view of the past decline in the cost of living, despite the improved prospect? How good must conditions be to make that course unjustified, etc., etc?

This decision illustrates one view of such a situation, exemplifies the attempt to weigh the reasons for and against the requested reduction.

Next, it is contended by the Typothetae that "Peak wages of war times are still in effect" The Typothetae, much to its credit, is now paying the highest minimum wage scale it has ever paid. The argument advanced to sustain this proposition as a cumulative reason why wages should be decreased, is rested largely upon the same hypothesis as the decline in the cost of living. It is asserted that the cost of living has increased 56 per cent since 1914, and the wages of the Union since that time have been advanced 125 per cent. The result expressed in percentages is mathematically correct, but argumentatively fallacious. If it is to be accorded probative force it must be shown that the minimum wage scale of 1914 was compensatory and not below the standard the industry was financially able to pay.

The mere fact that labor agreed to accept such a wage scale is only one factor in establishing the fairness of the same. Undoubtedly the wages paid during the months when war was flagrant are being paid now in almost every line of human activity, and this fact alone is not of any force in warranting a reduction in wages, unless it appears that the wages paid in any particular instance, may not be paid, and leave the owner, or owners, of the industry a just, reasonable and compensatory profit for his labor and investment.

We have not yet entirely emerged from war conditions. All about us are the innumerable instances of the consequences of the strife and normalcy is concededly some distance off. A report of the Department of Labor on the subject of wages finds that during the month of February, 1923, the wages of laboring men increased 5.1 per cent notwithstanding a national increase in the number of laborers employed, and as this record shows a most limited excursion into the field of other classes of labor than printing, would convince the most skeptical that war time wages are not only prevailing in Washington, but in many instances higher rates are being paid.

For a few months subsequent to the close of the war, industrial conditions were flourishing; thereafter, due to the withdrawal of the Government from active and abnormal purchases, the return of the Army from abroad, and the general decrease in the demands for almost every variety of merchandise, as well as many other reasons too numerous to mention, industrial conditions suffered a serious and prolonged

relapse Labor was to a large extent idle. Many corporations passed their dividends, and as aptly observed by the Typothetae, "refinancing of a serious nature was necessary," but it nowhere appears that even during this period wages were generally reduced, nor has it been shown that the individual enterprises represented by the Typothetae were financially unable to pay the scale fixed during this very period of readjustment. As a matter of fact, this condition, in a large measure, is behind us, and we are confronted with present times and conditions, which, if we accept as accurate the bulletins of the Department of Commerce, the statements of men of large business affairs, discloses a marked improvement, holding forth hopes, even amidst world wide disturbances, of a more stable condition and more normal times.

The Arbitrator feels that he may not conscientiously assent to a reduction in the wage scale of the compositors upon general industrial conditions, unless it is positively proven that such general conditions directly affect the various individual firms or corporations represented by the Typothetae, and continues to affect them adversely up to the present. . . .

Much may be said as to the economic depression the industry has had to endure. The record sustains room for differences of opinion. There is no reason apparent, from the record, why the Typothetae should have escaped what practically every industry suffered a short while after the close of the war, and if general industrial stagnation and depression prevailed now, it would be a most convincing argument for the reduction of wages, if so connected with the marketing of its products as to show such a decline therein, as to impair its resources and endanger its existence. Under such a distressing situation, labor must share with capital a portion of the loss, or find itself in idleness. Industrial activity must progress, or wages may not be paid at all. There have been some financial disasters in the commercial printing business in the last year and a half, one of large proportions. There have been also indications of prosperity in the enlargement of plants and improvements thereto. The force of employees has been generally increased recently, and in the face of present conditions, it would be a task of delicate proportions to rest a reduction of wages upon a supposition that economic depression is to continue. As a matter of fact the Typothetae survived a disaster under a maximum wage scale with a minimum of loss. It is true the Typothetae now proffers a contention for a reduction of the scale, but there is nothing now before the Arbitrator indicating a continuance of past conditions. The readjustments have apparently, to some extent, taken place, in so far as appears herein, without an alarmingly disastrous effect, and while there is a fragmentary record that undue prosperity does not abound, there is no specific record disclosing a likelihood of dire consequences to the industry in general under the present wage scale. The Arbitrator has given close attention to the showing in this respect that no unforeseen or unjust burden may be imposed upon the industry to thwart its legitimate growth, or materially detract from its earning power.

The question of wages is interdependent with industrial prosperity.

The principal difficulty in ascribing influential importance to an insistence of this character lies in the fact that industrial conditions are not always stable. One is more or less forced into the realm of conjecture and speculation; it is an incident of trade impossible to do more than take existing conditions as a base and hazard an opinion predicated thereon as to what may happen in the future.

The contract to be executed will, as per agreement of the parties, contain a clause which will entitle the parties to anticipate the future whereby, by giving a specified notice, the wage scale, etc., may be re-opened and manifest injustice in this, as well as in other respects corrected by arbitration.

Taking this last fact into consideration, as well as the additional information just recently released from the Department of Commerce, confirmed by Babson, it seems to the Arbitrator that the material increase in income tax returns, as well as the public reports of large corporations and industrial enterprises generally, including banks, retail and wholesale establishments, lends support to an optimistic view of the immediate future and indicates, to say the least, an improvement over the past year. Whether it is to continue depends upon a variety of circumstances, including wages, but inasmuch as the contract will effectually cover the situation, I am constrained to believe that the present wage scale in force for a limited period will not hamper the industry in its present condition, and may not in the future.

The wages of craftsmen in other branches of the printing trade have, unless I am mistaken, been advanced recently. In any event, the question of wages so paid could only bear indirectly on the issue. They may be over or under paid.

I am willing to concede that the public generally would welcome a substantial reduction in most everything they must buy. It may well be that a substantial reduction in wages generally will facilitate the desired end; but I am not prepared to say that the wage scale is alone responsible for enhanced prices.

The disturbed condition of society generally is a most important circumstance, and it is accepted as true that the public does not expect a return to a period of normal prices and normal wage scales, until the completion of the period of general readjustments throughout the world, and especially in this country. If wages could be reduced in every line of industry, the public would gain thereby; but I am disinclined to inaugurate the policy even in the interest of the public in a proceeding where the only issue in this respect for me to determine is the just, reasonable and compensatory wage scale, under the facts and information brought to my attention, and which I was authorized to acquire of my own motion.

A complete survey of the whole record convinces the Arbitrator that the present wage scale now in force and observed by the parties to this arbitration should stand. . . .

109—LABOR ADJUSTMENT BOARD—ROCHESTER
CLOTHING INDUSTRY (1921)¹

The contention that wages must be reduced during a period of business depression is based on the argument that labor costs of production (as well as other costs) must be reduced in order to make possible such wage reductions as are necessary to market the product in question. If an increased amount of product can be obtained for each dollar paid in wages, it is plain that this would reduce labor costs as effectively as a wage reduction—quite possibly more effectively. It is fairly well established that in times of depression there is a tendency for the production of workers to increase, owing to the desire of individual workers to retain their jobs.

The following case represents an attempt to secure what is believed a necessary reduction in labor costs by providing for increased production in the place of a reduction of wage rates—it being judged that there is no reason for lowering these rates outside of the prevailing depression. This decision is one episode in a continuous attempt that is being made in the Rochester Clothing Industry to prevent wage rates from falling or rising to an extreme position because of changes in the condition of industry.² It also represents an attempt to secure the workers concerned against the loss of wage advances obtained through previous increases in production; unless deliberate attention is given to that purpose the results of such increases would tend to go entirely to consumers in the form of price reductions especially during periods of depression.

In accordance with the procedure further provided for in said Section XI of the Labor Agreement, the Clothiers' Exchange therefore asks the following

1. A wage reduction of 25% including adjustments of the minimum wage and the wages of any operations in which the earnings are now excessive as compared with general levels .

¹ Decision Labor Adjustment Board—Rochester Clothing Industry Case G 4. (1921)

² For analysis of principles followed see the study of E. W. Morehouse "Development of Industrial Law in the Rochester Clothing Market." *Quarterly Journal of Economics*, February, 1923 pages 257 *et seq*

Employers' Contentions

The main contention of the employers is that their business has suffered a terrific slump since the spring of 1920 and that substantial reductions in the prices of clothing must be made before business can revive and more work can be provided for the employees. Compared with the spring season of 1920, the spring season of 1921 has seen a reduction of from 25% to 50% in the number of garments manufactured. This in spite of the fact, the employers say, that they have already taken terrific losses in depreciation in the value of their materials, cloth and trimmings, and have made great sacrifices in selling out surplus merchandise at greatly reduced prices. The employers submitted figures to show that they had reduced their wholesale selling prices for the spring season of 1921 from 15% to 20% below the prices for 1920, but this reduction was able to bring them only about 60% of the previous year's business.

The outlook for the coming fall season, they contend further, is not much brighter. A further reduction in price is necessary in order to stimulate buying and this reduction can not be made unless labor costs are reduced as all other items of expense have already been cut.

Subsidiary to this main argument, the employers point to the decrease in cost of living since the summer of 1920 which they claim would permit of a substantial reduction in wages without impairing the standards of living of the workers in the industry.

Further the employers contend that the week work system, which prevails in the Rochester market to the extent of 55% of the workers, greatly increases labor costs, and in spite of all the efforts of the employers very little progress has been made in changing workers from a time to a piece basis. The change can not be made except by mutual agreement and few of the employees agree to the change.

The Union's Position

The Union's position, on the other hand, is that a wage decrease is not justified at the present time either by general economic conditions or by specific conditions in the clothing industry. That a wage reduction in Rochester is not justified, the union contends, is upheld by the following considerations:

(a) In the Decision made by the Impartial Chairman in Rochester last summer, the Union's request for an increase in wages in this market was denied. The decision held, however, that workers in the Rochester market were underpaid with reference to workers in other markets, particularly in Chicago. The effect of this decision was twofold: (1) The workers in the Rochester market knew that they deserved an increase, but the increase could not be granted because of prevailing market conditions. (2) Increases which were granted in other organized and unorganized industries in 1920 did not find their counterpart in the clothing industry in Rochester in that year. Accordingly the reductions made in a great many other industries merely took away the increase granted in 1920, whereas there was no such increase in the clothing industry in Rochester.

(b) There is every sign of a revival in business in general and the clothing industry in particular. The Union does not deny that the clothing industry has been through a serious business depression, but it contends that the emergency has already passed and does not exist at present. Even if individual firms had been suffering losses it would not follow that wages should be reduced because the workers did not share in the profits during the periods of rising prices and expanding business.

(c) Admitting a decrease in cost of living, this decrease appears high only because June, 1920 is taken as a base. Since an increase in wages was refused at that time there is no justification for taking the peak of prices as a base. On the other hand if prices in December, 1919, the time of the last wage adjustment, are taken as a base the decrease to the present time is only about 8% and already the Department of Labor reports a slowing down in the general decline of wholesale prices. In spite of the decline in prices a cut in wages would seriously reduce standards of living for the clothing industry is seasonal and the workers lose much time on this account. When the actual earnings of clothing workers are spread over a fifty-two weeks period the men average only from \$22 to \$29 a week and the women from \$15.75 to \$19, according to the union's calculations.

(d) The wages of clothing workers in Rochester are not higher than wages in other organized industries and the decision of the Impartial Chairman in 1920 stated that the week workers were underpaid as compared with week workers in other clothing markets. Seventy per cent of the piece workers, too, earn less money than the piece workers in the competing Chicago market.

(e) Through the co-operation of the Union under the agreement, week-workers have been put on standards of production or changed to piece-work, and in other ways have contributed to efficient management and savings in labor costs. The Union has also helped to hold wages to the levels fixed in the agreement, whereas without this agreement the competition for labor among employers due to the shortage of help might have forced wages to higher levels.

Facts established by the evidence

After a careful study of all the evidence presented, the Chairman finds the facts in the case to be about as follows:

1 *Wages and Earnings* On a 44-hour basis the present wage levels enabled the clothing workers to earn per week in 1920 in round numbers:

	Week-work		Piece-Work		Piece & Week Work		
	Men	Women	Men	Women	Men	Women	Total
Coat Shops	\$38.00	\$24.00	\$50.00	\$30.00	\$41.00	\$27.00	\$35.00
Vest Shops	\$32.00	22.00	45.00	29.00	39.50	26.00	29.00
Pant Shops	\$31.00	22.00	44.00	28.00	39.50	26.50	29.00
Cutting & Trimming rooms	\$40.00		49.00				

In the spring of 1921, however, while the week-workers maintained their weekly earnings, the piece-workers suffered a reduction of about 10% due to stricter checking up on quality and to slowing up of the flow of work caused by lack of orders.

2 *Unemployment.* The clothing workers of Rochester would be able to earn these amounts at the prevailing rates of pay if they had steady work, they actually earned last year about one-sixth less on account of lack of work. Data submitted by the employers for "inside shops" showed that the workers had employment for about 85% of the time. The contract shops would probably increase this percentage somewhat.

3 *Week and Piece Work.* Approximately 45% of the employees are on piece work. The rest work by the week, and about 20% of the week workers are on standards of production which is a form of payment according to output. Since the agreement between the Clothiers' Exchange and the Amalgamated Clothing Workers was entered into in 1919, the proportion of piece workers has increased only slightly. The wages of the week workers average from 20% to 25% lower than those of the piece workers; but the production of week workers is lower still, so that production costs for those who work by the week are considerably higher than for the piece workers.

4 *Comparison with Competing Markets.* Chicago is Rochester's main competing market. With respect to earnings the average earnings of all clothing workers taken together, was lower in Rochester than in Chicago by about 12½% before the recent wage reduction in Chicago. With the reduction in Chicago piece rate earnings are about equalized in the two markets; but week workers, both men and women, earn less in Rochester than in Chicago or in any other important clothing center. The difference from Chicago for week workers may perhaps be explained by the fact that in that city something like 85% of the employees are on piece work as compared with 45% in Rochester, and the higher weekly wages in Chicago may be due to greater production in that city caused by the piece workers setting the pace for the comparatively small number of week workers.

5 *Progress of Rochester Clothing Workers.* From 1916 to 1920, the average earnings of all employees in Rochester increased about 147%. But week workers increased only 128% while piece work earnings rose 164%. As noted above, however, piece workers suffered a loss of about 10% in weekly earnings during the spring season of 1921 as compared with 1920. General increases officially granted amounted only to 71% between 1916 and 1920, but special increases also officially granted under the agreement brought this up probably to more than 100%. The rest is to be accounted for partly at least by promotions as workers gained in skill and by increased production. The greater increases in earnings of the piece workers particularly must be ascribed to increased production.

During the same period that earnings increased on the average 147%, cost of living about doubled, and since that time living costs have dropped about 15% or 16%.

6. *Labor Costs and the Union's contributions to efficiency.* While wages rose about 147% between 1916 and 1920, the per cent that labor cost is of the total cost did not go any higher during this period. The percentage was practically the same in 1920 as it was in 1915 and 1916. This keeping down of labor cost was due in part to the co-operation of the Union with the manufacturers, to the machinery set up by the agreement to regulate labor relations in the Clothing industry of Rochester. Many of the decreases in wages now being made throughout the country represent but a taking away of increases given to employees in 1920. The Rochester clothing workers received no increases in 1920 although the December 1919 increase became effective for the spring season of 1920. Moreover strikes and lockouts added to the labor costs in most industries during these years, while the Rochester clothing industry accomplished its adjustments in an orderly and peaceful manner.

While the percentage of labor cost remained practically stationery up to 1920, the fall in the prices of woollens, trimmings and other items of expense in clothing manufacture has resulted in making the percentage of labor cost at the present time higher than it has ever been before.

7. *Business conditions* During the fall season of 1920 an acute industrial depression struck the men's clothing industry which extended into the spring season of 1921. The employers' statements that a shrinkage in business of from 25% to 50% took place between this spring season and last spring is found to be substantially correct, and there can be no question regarding the losses borne by manufacturers due to shrinkage in values of goods on hand, cancelled orders and selling out surplus stocks at low prices. For the coming fall season, the outlook is probably more bright as the union contends, but this optimism which may be noted in the press, is very largely based on an expectation of lower costs and lower prices.

The experience of the last season seems to show that the amount of business for the houses and work for the employees could be very appreciably increased if prices were reduced to the lower levels necessary to reach the purchasing power of the largest number of consumers. Since materials and other items of expense have gone down and the percentage that labor cost is of the total cost is now higher than in previous years lower prices must be sought primarily in reduced labor costs.

Conclusions from the Evidence

A careful consideration of all these facts leads inevitably to the conclusion that labor costs must be reduced. But at the same time the facts also show that there is little possibility of getting any worth-while amount of cost reduction by cuts in wages. The wage levels in the Rochester clothing industry now are below the competitive markets, even when the recent decrease in Chicago is included. Moreover the Union having lent

its efforts to stabilize wages in 1919 and having been denied an increase in 1920 by arbitration, has a right to expect that the levels of wages it helped to establish and maintain on a stable basis will not be forced down at the first sign of a break in prices. In industries where labor relations are chaotic and unregulated except by strikes and lockouts or dictatorship by one side or the other there may be some cause for forcing wages down just as arbitrarily as they were forced up. But neither justice nor sound industrial policy can justify holding wages to reasonable levels by arbitration machinery in the interest of industrial stability on a rising market and then when the market falls not using the same machinery to safeguard the workers' standards of living.

A glance at the tables of wages given above makes it evident that the wages of clothing workers in Rochester can not be appreciably cut without denying to many of them proper standards of living. Thirty-four dollars a week for men and \$22 50 for women are not high wages that can stand much cutting and this is all the clothing workers average when the weeks of unemployment with no wages are taken into account. The week-workers who make up more than half the total, average twenty to twenty-five per cent less than the piece-workers, and their wages could hardly stand any cutting at all, yet the labor costs of their operations are considerably higher than the costs on the piece-work operations where the earnings are greater. To cut the latter, however, would be most unwise because it would tend to discredit the piece-work system and thereby to increase costs.

Nevertheless there is immediate need of decreasing labor costs, for at the present high prices of clothing, employers can get little business and the workers must suffer a great amount of unemployment. If no other method of decreasing costs can be found wages will have to be reduced in order that more work may be provided. This would be better than no cut at all with a great deal of unemployment, for lower wage rates which increase the amount of business and employment might bring greater annual earnings.

However, aside from some peaks of wages, especially among the underpressers where earnings are considerably higher than the level of the market and which may be cut without injury to any one, a better method of reducing cost is available than cutting wages. It is possible to transfer the week-workers who are paid on a time basis, and whose unit costs of production are much higher than that of the piece-workers, to a basis where they too would be paid according to production. This would increase production and thus result in a saving in labor cost much greater than could be secured in any other way.

The entire problem of wage readjustment at the present time arises out of the emergency created by the industrial depression from which the clothing industry is suffering. Something must be done to lower costs and prices in order that the industry may revive. The interests of all concerned require that more work be offered to the employees and this can only be done now by a sacrifice of some kind. In an emergency of this kind the Chairman would have to reduce wages even tho' wages were comparatively low. Similarly, the Chairman is of the opinion that

the same emergency justifies a change in the wage payment plan from a time basis to a production basis, although if there were no emergency, such a change might not be justified. As an alternative therefore to a cut in wages, the Chairman is of the opinion that time workers may properly be changed to payment by the piece

This change from a time basis to payment according to production is, in the mind of the Chairman, the most sound method of bringing industry out of the present depression. What is needed is lower costs and prices and at the same time increasing purchasing power of the people. By changing from week-work to payment by the piece, the earnings of the workers would actually be increased and at the same time the unit cost of production, as experience has amply demonstrated, would be considerably reduced by increased output.

In order to secure the substantial reduction in labor costs needed and in order at the same time to avoid a general reduction in the wages of the workers, the following decision is made.

1 Employers may require workers on any operation in the coat, pant and vest shops and all others included under the agreement except those hereafter mentioned, to work on a basis of measured production which fixes the unit cost per piece in line with the existing piece rates in the market.

2 Costs in the cutting rooms appear to be on a reasonable basis and there is no reason for changing the existing systems of payment at the present time

3 Offpressing also requires special treatment because of special conditions affecting this operation. Here some lowering of labor cost is necessary. The main reason for the comparatively high costs at the present time seems to be that all the offpressers, whether they have had 10 years' experience or only 1 year, are held to the one standard of production that is fixed for the scale. For the present the only practical method of reducing costs on this operation is to classify the pressers according to output. It is therefore ordered that three classes of offpressers be created immediately, with scales, respectively, of \$41, \$43, and \$45. Any presser who is able to maintain the same quality of work that is fixed by the standard for \$41 and can press more coats in proportion to justify the scales of \$43 and \$45, shall be paid these weekly scales. Additional classes may be created later if necessary, and, of course, those who do not produce the standards fixed are to be paid less in accordance with their production, as is now the practice in the market.

4 All the wage data submitted show that the earnings of piecework underpressers in coat, vest, and pants shops are far above the level of the rest of the workers. Although this is a comparatively unskilled operation, these men earn more than many of the skilled workers. This creates a serious and unjust inequality as well as unjustifiably high costs for this operation. Every shop, therefore, in which the average earnings of the underpressing sections are more than 25 per cent above the scales fixed for week workers on the same or similar sections, shall revise its piece rates to bring them down to between 20 per cent and 25 per cent above the weekly scales.

5. The minimum wages of \$16 for learners after the six weeks' probationary period will not be necessary if workers are to be paid on the basis of cost per piece instead of on a time basis. This \$16 minimum is therefore abolished, but the \$15 minimum must remain as the changes in cost of living that have so far taken place, in the opinion of the chairman, do not yet permit a worker to maintain self-support on less than this amount.

110—ARBITRATION—SHOE WORKERS—CHICAGO (1922)¹

This decision deals with the same questions as were discussed in one of the preceding cases (Case No. 107)—is the existence of general business depression and downward wage trend a satisfactory reason for wage reduction in a particular industry and enterprise? In this case the particular enterprise concerned had not felt the full force of the depression, and the decrease is argued for primarily because of the condition of industry in general

MAJORITY OPINION

. . . 3 *Wage scales and general business conditions*

A considerable amount of evidence was introduced by the company to show a general downward trend of prices and of wages. These figures covered the general field of industry and in some instances the boot and shoe industry as well. It was argued that we are passing through a period of deflation in prices, in material, in profits, and in wages, and that the shoe industry must and should share in this general process. Without denying the general truth of this contention, it may be pointed out that there is a more intimate relation between the purchasing power of the general public in certain basic industries, such as the railroads and the building trades, than in the case of high-grade shoes. The Floersheim shoe is a first-class commodity purchased by a limited number of well-to-do consumers, who might not be materially affected by a small cut in the price of the shoe. One dollar and fifty-four cents was given as the labor cost of a shoe, but a reduction of 25 per cent on this figure, or 38½ cents, would not materially affect the price of first-grade shoes retailing at \$10 to \$12. Even if this cost is pyramided by the retail dealer or others, it may be questioned how materially this would affect the general buying power of the public, and how far it would enter into the general process of deflation. Unquestionably, however, some importance must be attached to this factor, and it can not be concluded that this shoe industry stands entirely apart from all the other industrial establishments and undertakings of the United States. . . .

¹ Arbitration—Floersheim Shoe Co., Chicago. (1922). *U. S. Monthly Labor Review*. March, 1922. pages 114-17.

DISSENTING OPINION

. . . . 2. *Wage scale and general business conditions*

To what extent a reduction in the wages of the Floersheim Co.'s workers and a consequent reduction in the price of Floersheim shoes would stimulate sales is of course a matter of opinion. If other commodities, and more particularly other shoes, are sold at lower prices because of reduced labor costs, it can hardly be open to question, however, that a measure of the purchasing power which would normally go to the Floersheim Co. will be diverted from it to others, unless the company is given the same opportunity as others to reduce prices. This is true if for no other reason because (as has been said by another arbitrator in another connection) "There is a rather prevalent feeling that prices are too high and that something should be done and will be done to bring them down to that indefinite and undefined thing, a fair level. The psychological effect of a readjustment in costs, providing any saving is not withheld from consumers, would have a favorable effect on business." The well-to-do consumer, perhaps more so than his less fortunate neighbor, reacts emotionally to unyielding markets. He is at least as sensitive to general economic changes as others. He not infrequently resents the fact that the price levels of the commodities which he wants to purchase do not keep pace with the downward trend of other price levels. He as often diverts or even defers purchases on psychological grounds, if not for economic reasons, as do others. In so far, therefore, as the issue before the board turns on general business conditions there would seem to be no reason for not reducing labor costs of the Floersheim shoe.

Furthermore, weight must be given to the fact that readjustments have been made in raw materials cost and selling price of the company's shoes while none have been made in labor cost. Irrespective of all other considerations, these factors must be restored to their proper relationship and must be put in balance if the industry is to survive. According to the evidence, while wages are still the same as they were when prices had reached the peak in the summer of 1920, raw material has been reduced from \$6.90 to \$3.01, and the price of the finished product from \$12 to \$6.85. Not to make a corresponding adjustment of wages is to do violence to sound economic theory and principle.

111—ARBITRATION—BOOT AND SHOE INDUSTRY (1921)¹

The decision reprinted below states clearly the view that the existence of a *general* business depression, accompanied by a falling price and wage level is not itself a reason for wage reduction in any particular industry. The argument is presented that it must be established that the actual condition of the particular

¹ Arbitration—Boot and Shoe Industry—*U. S. Monthly Labor Review*, September, 1921, pages 146-8.

industry concerned has become decidedly unfavorable before reduction is justified. This view would tend to discourage all anticipatory reductions based on the general depression.

Attention is also called to the argument contained in the decision, that a decline in the cost of living was not, in itself, a sound reason for reducing wages.

The undersigned, all of them commissioners of conciliation, Department of Labor, were selected as a board of arbitration on a case in which the employer asked for a cut in wages. Oscar F. Nelson was selected by the employees and the union; Herbert J. Friedman by the employer; and E. T. Gundlach was chosen by both parties as third arbitrator.

While the three commissioners were named in the case as individuals and not as Government representatives, they believe that some of the points in this decision may serve as precedents in other arbitration cases in so far as the Government may approve these points. It was, therefore, deemed best by the board to state to the Government its reasons for its decision.

The evidence showed:

That the employer was the largest of four large concerns engaged in a similar line of industry in the same city, being the only one in that line employing organized labor in that city.

That none of the other three factories had brought about a wage reduction, there being furthermore no evidence that these others had reduced the number of hands.

That reductions of 10 to 22.5 per cent had been made by posting of factory notices, by mutual agreement, and by arbitration in some 25 other factories manufacturing the same kind of product in other parts of the United States; such factories, however, manufacturing mostly cheaper grades than those of this employer.

That no wage reduction had been made in any large factory making a grade of product that might be said to be in the most direct competition with that of employer.

That in one particular district of the country, where a large number of factories engaged in making a product in direct competition with that of employer are situated, the employers had just petitioned for a 20 per cent reduction in wages, and that hearings under a State board proceeding were about to be held; and that in other factories in that district many hands were at present out of employment.

That the employer had greatly reduced the wholesale price of his product and that he was not at this moment making a reasonable return upon his investment, in fact, no profit at all. However, the figures, on investigation, showed that the selling price had been set with a view to a close and yet not entirely unreasonable percentage of profit on volume; and that during the latter part of May and for a few weeks thereafter, these profits had been destroyed by a sudden increase in the cost of raw materials which cost, as the board learned, fluctuates continuously. Other

figures to show the employer could not make profits were based on losses due to shipments in the abnormal preceding period and to estimates as to future credit losses and future selling expenses, with some evidence, however, as to continuous increased costs of selling

The employer urged as a basis for a wage reduction:

(a) That the general economic conditions prevailing throughout the country required a reduction in wages

(b) That the reduction in the cost of living meant that the employer was asking not for a wage reduction but rather for a wage adjustment

(c) That the employer would not be able to go on manufacturing his product unless a wage reduction were granted speedily

The employees urged:

(a) That reductions had not taken place in factories under the most direct competition with the employer and that in the entire industry the wage cut had been only 3 per cent

(b) That wages had not been raised in this industry as much as in some others and reductions in the cost of living did not necessarily justify a wage cut in this industry.

(c) That the profits or losses of the employer had no bearing on the question of wage cuts unless it could be shown that the losses were due to labor costs.

The board believed:

1 A board called in to arbitrate a wage scale, unless the agreement to submit to arbitration specifically provides for the setting of a scale for a definite period, is not required to render a decision awarding a wage scale binding for the balance of the period in which the arbitration agreement is in force. Where the board feels that a change in wages, whether upward or downward, is not due at the time the board is sitting, it does not follow that such a change may not be due any time thereafter. Therefore, such a board may either continue holding itself ready for further sessions on call from either party, or may leave the matter open for other boards to act.

2 General economic conditions may be taken as a background, or possibly as one reason for adjustment of a wage scale, but can not be accepted as *the* reason while doubt still remains as to *when* and *how* these general conditions will apply in individual industries or individual factories. If general conditions were to be so accepted, then all employers and wage workers operating under an arbitration agreement would automatically reduce or raise wages, as the case may be, whenever the general trend was in that direction. The employer who had agreed to arbitration would be in the forefront of those immediately forced to advance wages during a period of rising prices or of increased demand for labor; and when wages were tending downward, the worker who had signed an agreement to arbitrate would not even have occasion to present an argument regarding conditions in his factory or in his industry, but would automatically follow (or possibly in some measure lead)

those economic forces. Such a theory, in the judgment of the board, would destroy the purpose of arbitration, and in fact would result in the refusal of many employers and employees to agree to arbitration in the future.

3. Caution in making any changes in an existing wage scale is necessary if arbitration agreements are to be lasting. In a specific industry, where evidence shows that wages are being readjusted upward or downward, neither employers nor employees in an individual factory operating under arbitration should be put to a disadvantage as against those in other factories not bound by arbitration. While adjustment when evidently necessary should be made in a reasonably early period and not necessarily after a majority of those free from arbitration have already acted, yet such speed in readjustment must not be carried so far that those under arbitration are forced to readjustment while only a small portion of the entire industry has made any changes and while doubt still remains as to *when* and *how* these changes will become more general in this specific industry. Especially is this true where numerous factories in direct competition as to product or as to labor market would be able to make adjustments by mere factory notice and have not done so.

4. In so far as numerous factories directly competing, as in this case, are each or all under separate arbitration agreements, one or another of such factories has a perfect right to expect adjustments to be initiated in its factory in advance of all others. It would be manifestly unjust in such cases to ask one factory or group operating under arbitration to wait until others also bound by arbitration have secured an award. But in such case the employer or employers desiring readjustment, while unable under such circumstances to show the need of readjustment from competitive wage figures, must show the need of such readjustment from other figures drawn perhaps from the factory's own financial statement or from figures indicating the condition of the industry as a whole.

5. The fact that the cost of living had gone down 20 per cent would warrant a reduction if other causes indicate the need of a reduction. But the mere fact that the cost of living has gone down is no reason whatsoever for the cutting of wages. If this were in itself accepted as a reason, it would mean that we are operating on the theory that the workmen of the United States should remain in a static and not in a continuously improving condition.

6. Figures regarding current continuous operating costs, whether they be labor costs, selling costs or any other form of costs, provided they are continuous and current and necessary in the operation of the business, are at all times proper figures for an employer to introduce in evidence where a wage cut is contemplated. In the event the current and continuous cost of operation (including the labor cost as one and not the only item) is such as not to leave a reasonable return on the factories investment considering the price at which it is forced to sell

its goods, then the period for readjustment of wages has arrived: Provided however, (a) That any adjustment of the wage scale is conditioned upon a living wage for all workers. (b) That the figures given by such a factory are clearly indicative of general conditions in that industry and not the individual conditions of that factory. (c) That figures (if differing from figures of previous seasons) can be accepted only when there are sound reasons to believe that these figures represent costs that are not temporary, and that estimates as to future losses or increased costs must be in line with figures already well established, and that losses incurred now but due to operations of a past period during which the contested wage scale was not questioned, cannot be taken as figures at all . . .

112—ARBITRATION—EMPLOYING ELECTROTYPERS AND STEREOTYPERS ASSOCIATION—NEW YORK (1922)¹

This case illustrates the view that as long as the particular industry concerned has escaped the general depression, there is no reason for reducing the wages of the workers engaged in it, although wages in other industries had been reduced because of the depression.

The scale of wages were by agreement adjusted to September 30, 1921

Wages of journeymen were fixed at \$59.00 per week of 44 hours labor effective October 1, 1920. . . .

The employers contend that the scale of wages of Electrotypers should be reduced from \$59.00 per week to \$52.00 per week from October 1, 1921 to October 1, 1922, and that the findings should be retroactive to October 1, 1921

The Union contends that the contract is not retroactive and that the scale of wages of electrotypers should remain at \$59.00 per week from October 1, 1921 to the present time and should be increased to \$64.00 per week from the present time to October 1, 1922. . . .

The wage of an electrotypewriter is higher in New York City than elsewhere in this Country. Wages in other industries have decreased because of the depression of business of such industries. The printing industry seems to have suffered no such depression. The printing industry in matters of circulation and advertising largely increased from 1914 to 1920. In 1921 the printing industry decreased but remained above normal, and it is fair to assume that the income from such industries was greatly increased prior to 1921.

The evidence shows many failures in other industries, but no failures in the electrotypers business. The demand for labor continues as great

¹ Arbitration—Employing Electrotypers and Stereotypers Association of New York vs. Electrotypers Union No. 100. (1922).

as ever and all electrotypers are still steadily employed notwithstanding the falling off of the business since 1920.

The living cost has decreased to a considerable extent; in some particulars, however, such as rent, fuel, etc., there is little or no decrease.

Wages of electrotypers did not materially increase for some years after 1914 while the cost of living during the same time was rapidly increasing. The increase of wages did not correspond or approximate the cost of living until in 1920. The electrotypers business was abnormal in 1920 and while there has been a depression since that time the business is still at or above normal. . . .

For a long time the wages of the finisher and the foundrymen have been identical and the Chairman feels that as the scale of wages of the finisher has by arbitration been fixed at \$59.00 per week that at this time to allow a decrease in the wages of foundrymen would cause much dissatisfaction and discontent between employees working side by side in the same line of business and would also prove detrimental to the Employers. . . .

The Chairman also believes that there would be no justification for an increase in the wages of the foundrymen of \$5.00 weekly over the present scale.

After having considered all of the briefs and evidence produced and endeavoring to reach a fair and just conclusion as between the Employers and Union your Chairman feels that there should be no decrease in the scale of wages of the foundrymen and apprentices at the present time, and decides that the wages shall remain unchanged

113—ARBITRATION—PRINTING PRESS FEEDERS— NEW YORK (1921)¹

114—ARBITRATION—BALTIMORE TYPOTHETAE (1921)²

The preceding Chapter (page 236 *et seq.*) contains cases illustrative of the joint use of the two principles of "cost of living" and "condition of industry" under an agreement previously made which provided that these principles should be used. These previous cases dealt with conditions giving rise to demands for wage increases (Cases Nos. 97-99). The two cases presented below are intended to illustrate the operation of these agreements under the opposite conditions. They should be studied in connection with the previous cases, if it is desired to form any judgment upon the satisfactoriness and soundness of this combination of principle.

¹ Arbitration, Closed Shop (Printers League) Branch, Employing Printers—New York City *vs* Printing Press Feeders and Assistants Union No 23. *et al.* (1921).

² Arbitration, Typothetae of Baltimore *vs.* Baltimore Printing Pressmen and Assistants Union, No. 61. (1921).

113—PRINTING PRESS FEEDERS CASE—NEW YORK

The question presented to the arbitrators for decision arises under the following clause of the scale contracts existing between the unions and the employers:

Effective in all of the terms as set forth in this contract from January 1, 1920, to September 30, 1922, except as hereinafter provided for, subject to opening by either party, for readjustment, on October 1, 1920, and at the end of each six months thereafter, viz: April 1, 1921, October 1, 1921, and April 1, 1922—only as to rate of wages to be paid as set forth in "Schedule A" of this agreement; such readjustment to be based on the cost of living and the economic conditions of the industry at the dates of readjustment

Acting under the provision that wages may be readjusted on April 1, 1921, the employers asked that wages be reduced 25 per cent and the unions requested an increase of \$7.00 a week. At the beginning of the contract on January 1, 1920, the Press Assistants received a weekly wage of \$39, the Job Pressmen, \$40; the Job Press Feeders, \$29; and the Paper Handlers, \$35. An arbitration award effective October 1, 1920, readjusted the scale to \$43 for Press Assistants, \$44 for Job Pressmen, \$32 for Job Press Feeders, and \$38 for Paper Handlers.

In the present case the argument of the employers, briefly outlined, was that the wording of the contract and the interpretations in the recent arbitration decisions limited the arbitrators to a consideration of the changes in the cost of living, to the exclusion of evidence on the details of family budgets as bearing on what is a desirable standard of living, and to changes in the economic conditions of the industry; and that the cost of living had declined 12 per cent (up to February 15, 1921) from the index number used in the previous readjustment decision. It was also argued that the general business depression was serious and that the printing industry in particular was suffering. To show the depression in the printing industry evidence was introduced regarding declines in sales, advertising volume and revenue, increases in failures and in unemployment, reductions in credit ratings and declines in profits. Wage rates in other cities were introduced to show the unfavorable position of New York with these competitive zones. It was also estimated that the introduction of the 44-hour week on May 1, 1921, without reduction of pay, would place a burden on the industry amounting to 9.29 per cent.

The unions contended that their members are not now receiving enough to maintain a decent standard of living; that a standard of health and decency as set by the U. S. Bureau of Labor Statistics costs now in New York \$2,333; that it was difficult to determine how far the cost of living had declined by April 1, 1921, although the U. S. Bureau of Labor Statistics showed a decrease from June, 1920, to December, 1920, of 8.1 per cent; and that, although food had decreased in price from December

15, 1920, to March 15, 1921, it was probable that other items in the family budget had increased in price. The unions further argued that a mere decline in the cost of living did not warrant a decrease in wages unless the printing industry was unable to pay the existing wages. It was also contended that no accurate estimate of the ability of the employers to pay wages could be obtained without access to the employers' books, that general industrial conditions will not have any deleterious effect on the printing industry, that the printing industry was remarkably prosperous in 1920 and will be again in 1921, that there is possibility of enormous improvement in the condition of industry through the elimination of waste, that the inauguration of the 44-hour week has no bearing on the case, and that in view of these reasons the employers have no valid excuse for not paying at least a decent living wage and that conditions do not justify any decrease of wages

The arbitrators have carefully read the briefs and have considered in detail the arguments and the evidence and wish to make the following comments on the matters in dispute

According to the U. S. Bureau of Labor Statistics, the increase in the cost of living in New York City since 1914 was 103.8 per cent by January 1, 1920, 119.2 per cent by June, 1920, and 101.4 per cent by December, 1920. Since the dates of these cost of living figures do not correspond to the dates of readjustment provided in the contract, the figure 119.2 was used in the previous adjustment, effective October 1, 1920. In December, 1920, the cost of living had declined from the point 119.2 to 101.4, or 8.12 per cent. No further index numbers of the total cost of living changes have been published by the U. S. Bureau of Labor Statistics. This Bureau does publish monthly retail food prices and shows a decline in the price of food to the consumer, from December 15, 1920, to February 15, 1921, of 11.65 per cent. If all other items in the family budget except food are assumed to have remained constant in price from December 15, 1920, to February 15, 1921, food alone changing, then, as can be shown by purely arithmetical computation, the total cost of living in New York City had fallen on February 15, 1921, 12 per cent from the figure used in the previous readjustment, or, in other words, the increase in the total cost of living on February 15, 1921, was 92.9 per cent over 1914. This method of calculation has been found, when applied to earlier data, to be very nearly accurate, falling short of the true change by a small percentage or fraction of a per cent. Probably the cost of living on April 1, 1921, had declined a little more than 12 per cent, as suggested by this method of calculation, by index numbers of wholesale prices, and by a further decrease of 2 per cent in retail food prices in New York City on March 15, 1921.

When wages are reduced by the same percentage that the cost of living has declined, there is no reduction in the purchasing power of wages. The purchasing power of a wage in contrast to its monetary denomination is sometimes called "real" wages and is contrasted with "money" wages. Thus when the cost of living has doubled and wages

have gone up from, say, \$20 to \$40, there has been no increase in "real" wages, though there has been an increase in "money" wages. Similarly, when the wages of the Job Pressmen have been raised from \$19 in 1914 to \$44, their "money" wages have gone up 132 per cent, but their "real" wages have not increased that much, for the cost of living has also gone up. Their "real" wages have increased, however, for the cost of living is only 92.9 per cent more than in 1914. So also with the Press Assistants, whose "money" wages have increased from \$17 to \$43, or 153 per cent; and the Job Press Feeders from \$12 to \$32, or 167 per cent; and the Paper Handlers from \$16 to \$38, or 137.5 per cent. Such a moving up in the scale of civilization standards is, of course, a matter for congratulation, for it represents a step in the direction of progress.

It follows from the reasoning in the foregoing paragraphs that, since the cost of living has declined 12 per cent from the point used in the last readjustment, a reduction of 12 per cent in "money" wages will not mean a reduction in "real" wages or purchasing power; in fact, in the matter of standard of living, the employees will be as well off as before. For instance, for the Job Pressmen a 12 per cent decrease in wages would mean a reduction from \$44 to \$38.72, but \$38.72 will buy on the average, April 1, 1921, what it took \$44 to buy when the cost of living was 119.2 per cent more than it was in 1914. So, also, for the Press Assistants, a reduction in "money" wages from \$43 to \$37.84, or 12 per cent, would mean that "real" wages were the same, for \$37.84 will buy now what \$43 bought when the cost of living was 119.2 per cent more than in 1914. Similarly for the Job Press Feeders and the Paper Handlers, the purchasing power of \$28.16 and of \$33.44 on April 1, 1921, is the same as the purchasing power of \$32 and \$38 when the index number of the cost of living was 119.2. Such equalities in purchasing power may not be the same for each particular individual, but it is true on the average for the group as a whole, and such has been the conception when wages have been raised on the basis of increased cost of living.

As to economic conditions, the printing industry has declined in prosperity on several counts. The volume of sales has diminished, appreciable unemployment exists, advertising volume and revenue have decreased, failures have increased in number and liabilities, and the various business barometers indicate a continuance of the general business depression. The arbitrators really needed, however, more specific and detailed information, particularly as to profits, losses and analyses of costs than the afore-mentioned general tendencies, in order to measure carefully the worth of the employers' claim for a reduction in wages of 25 per cent, when the cost of living has declined only 12 per cent. A cut in "real" wages is a very serious thing for employees, and before taking so drastic a step arbitrators should know precisely how much depressed the particular industry is. In the judgment of the arbitrators the employers failed to present adequate information as to just what this slump amounts to. This failure seems to be due, however, not to the representatives of the employers who pressed their case most ably, but to those employers who for one reason or another did not furnish

sufficient original material which their representatives might use. A summary tabulation sheet was presented showing partial analyses of costs and sales over eight months for 48 members of the Association. Of the printing establishments, 48 is only a small number, and it was difficult to ascertain how true a sample they represented. Moreover, from this tabulation the true rate of profits was not clear; and there was confusion and lack of detail in the analyses of costs. Indeed, it was possible to argue from these data that the printing industry had been much less hard hit than other industries. The members of the League would have to furnish data, clearer analyses and show more accurate measurement of their inability to pay before they could hope to impress arbitrators with the necessity of depressing "real" wages, i e., the standard of living of the employees. Gains in the standard of living by the mass of workers constitute a fundamental advance of civilization. A lowering of this standard can be granted by those interested in human progress only because of dire necessity and no such situation has been positively proven from the incomplete tabulation of cost sheets presented at the hearings.

It is, nevertheless, clear that there is a serious economic condition in the printing industry, although its exact measurement has not been achieved. In this connection the matter of the 44-hour week should be considered. The agreement to put the employees of the printing industry on a 44-hour week with no reduction in wages, on May 1, 1921, probably means a fairly serious addition to costs. While the relevancy of this fact in the present arbitration is perhaps questionable from a strictly literal reading of the terms of the contract, the agreement is nevertheless a factor in the economic condition of the industry for the period of adjustment, for the present depression in marketing does affect the financial conditions of the printing industry more adversely because of the agreement to introduce the 44-hour week.

In making use of the foregoing analyses and evaluations to arrive at a decision, the arbitrators are of the opinion that the existing contract does not mean that a decrease in "money" wages, still less in real wages, can be justified merely by the fact of a decrease in the cost of living, regardless of the economic conditions of the industry. If exceptional profits, such as seem for instance to have been made in the recent probably unprecedented prosperity of the printing industry, at present existed, arbitrators might be justified in raising still further the "real" wages of the employees by keeping "money" wages at least the same in the face of a declining cost of living or even in raising money wages. However, this condition does not appear to exist. There is a real depression in the industry. Therefore, if the "money" wages of employees were kept the same, they would be receiving an advance in "real" wages in a period when the industry was suffering from a depression. The business depression, in conjunction with the additional costs due to the 44-hour week, seem to make necessary a reduction in wages though not a reduction in "real" wages.

Therefore, after a careful consideration of the facts of the cost of living, of the evidence on the economic conditions of the industry, and of the nature of the contracts, the conclusion of the arbitrators is that the wages of the Job Pressmen should be set at \$38.50, of the Press Assistants at \$37.50, of the Job Press Feeders at \$28, and of the Paper Handlers at \$33, effective April 1, 1921.

For the members of the union this represents a decrease of approximately 12 per cent of their present wages. It should be observed, however, that the purchasing power of these wages is still somewhat greater than the purchasing power of the wages at the beginning of the contract, January 1, 1920. Thus there will have been no lowering of the standard of living as a result of this award from the standard determined by the contract on January 1, 1920. Furthermore, the wages of the Job Pressmen as set by this decision are 103 per cent higher than their 1914 scale, while the cost of living is only 92.9 per cent higher than in 1914. The readjusted wages of the Press Assistants are 121 per cent higher than the 1914 scale; those of the Job Press Feeders are 133 per cent higher; and the Paper Handlers' wages are 106 per cent higher.

To the employers the decision means a cut in the payroll, as made up of the members of these unions, of approximately 12 per cent, which ought to relieve somewhat the pressure due to the present business depression on the printing industry, which is, from the financial point of view, adversely affected by the agreement to introduce the 44-hour week.

In concluding these opinions, the arbitrators wish to comment particularly on the courtesy, fairness and fine spirit displayed alike by both the representatives of the unions and of the League, and on their genuine and successful attempts to put the presentation of the cases on a high scientific standard. Such an attitude promises well for the continued cooperation of capital and labor, so necessary if there is to be progress toward a joint sharing of responsibility and rewards.

114—BALTIMORE TYPOTHETAE CASE

The question for decision is the application by the Typothetae for a reduction in the scale of wages paid in the industry, to take effect as of March 1, 1921. The application is made in accordance with the terms of the agreement between the parties wherein it is stipulated that an increase or reduction of wages shall be determined by two factors:—(a) the increase or reduction in the cost of living, determined by the Bureau of Labor Statistics; (b) the economic or physical condition of the industry, to be determined by conference of the parties to the agreement. It is obvious that the arbitrator has no general authority to fix the scale of wages, but is confined to the interpretation and application of the agreement between the parties, and on one occasion by arbitration. It is fair to assume that the scale of wages heretofore existing was normal and proper, and that any change that may be made at this time should be governed by the difference between the conditions existing on March 1, 1921 and the conditions existing when the scale was last fixed.

It is agreed between the parties that there has been a decrease in the cost of living of 8.2% as determined by the Bureau of Labor Statistics. It follows that the wages should be reduced a corresponding amount unless the consideration of factor (b) leads to a different conclusion. There has been some discussion during the arbitration as to the meaning of the phrase "economic or physical condition of the industry." The term "economic" relates to matters of income and disbursement. As applied to an industry, if the income exceeds the disbursement, so that there is a balance to be distributed amongst the investors in the enterprise that would be considered a fair return upon the investment, the economic condition of the industry is good. The question resolves itself largely into one of profits. It involves not only a consideration of the price at which the product of the industry is sold, but also the volume of business and the cost at which the product is produced, including all the elements which enter into income and outgo. Figures have been submitted which convince the arbitrator that the economic condition of the industry on March 1, 1921 was not as good as it was on September 1, 1920. During the six months period the amount of the output was decreased, the amount of new business was reduced, and the percentage of profit was likewise diminished. The agreement between the parties does not specify precisely what weight should be given to the economic condition of the industry. It is left to the agreement of the parties, and failing that, to arbitration. Indeed, it is impossible to express precisely what consideration should be given to this factor. It is difficult or impossible to express the changes in the economic condition of the industry in terms of percentage, and also difficult to determine what effect an unfavorable economic condition should have upon the scale of wages, which is only one of the elements entering into the cost of production.

The proper result must rest upon sound judgment, after fair consideration is given to all facts submitted.

In this particular instance the arbitrator believes that side by side with the reduction in the cost of living there has been a reduction in the prosperity of the industry, which has gone to even a greater extent than the reduction in the cost of living. Considering both factors, the arbitrator decides that a reduction of 10% in the scale of wages, to be effective from March 1 to May 1, 1921 as provided by the terms of the agreement, would be fair and proper.

115—DECISION—RAILROAD LABOR BOARD—ALABAMA AND VICKSBURG RAILWAY *et al* (1922)¹

Wage and price adjustments in the railroad transportation industries are apt to be particularly difficult to settle satisfactorily, because of the indirect effect such adjustments may have

¹ Alabama and Vicksburg Railway *et al* vs. Brotherhood of Railway and Steamship Clerks, etc. *et al*. Decision No. 1074. U. S. Railroad Labor Board Vol. 3. (1922). pages 492-4; 510-13.

on other industries. In that industry the "condition of industry" principle may be given a novel twist, involving consideration not only of what wage rates the transportation industry can bear, but also what freight and passenger rates industry in general can bear, having regard for the immediate future.

The Interstate Commerce commission has had to consider these effects when adjusting rates. And the Railroad Labor Board, wishing to assist the Commission, as far as in its judgment it properly could, has also given thought to that matter—as shown by the decision printed below. How far that can be done under private ownership (when railroads must pay their way) without putting railroad wages in a special position is an open question—only to be discovered by such experiences as we have been going through. No attempt is being made to fore-judge the question in these remarks. The task of the Railroad Labor Board has been to strike a sound balance between the claims of the workers, the financial position of the railroads, and the transportation problems of other industries. The workers claim that their wages should be settled on principles which consider the financial situation of the railroads only after workers' needs are met and their standards of living are protected, trusting that there will be such adjustments in production and distribution of railway revenue as will make that possible; the railroads state that it is essential to protect their financial position before considering any other principle of wage adjustment; the shippers are contending that both railroad wages and railroad rates should be adjusted with primary regard for the needs of the industries which use the railroads. Whether it will prove possible to show just and sound regard for all three interests is a problem in railroad economics which is brought before the reader's attention.

MAJORITY DECISION

The provisions of the transportation act, 1920, which govern and guide the Labor Board in its deliberations upon the matters herein involved, are:

Sec 307. (d) * * * In determining the justness and reasonableness of such wages and salaries or working conditions the board shall, so far as applicable, take into consideration among other relevant circumstances:

- (1) The scales of wages paid for similar kinds of work in other industries;
- (2) The relation between wages and the cost of living;
- (3) The hazards of the employment;
- (4) The training and skill required;
- (5) The degree of responsibility;
- (6) The character and regularity of the employment; and,
- (7) Inequalities of increases in wages or of treatment, the result of previous wage orders or adjustments.

Besides the specific elements or factors above mentioned, the act provides that the board in determining wages shall consider "other relevant circumstances." Referring to this language, "other relevant circumstances," the board in Decision No 2 said

"This, it understands, comprehends, among other things, the effect the action of this board may have on other wages and industries, on production generally, the relation of railroad wages to the aggregate of transportation costs and requirements for betterments, together with the burden on the entire people of railroad transportation charges."

. . . The Labor Board can not venture too far into the realms of economic prophecy, but it is generally conceded to be fairly plain and certain that our country has entered upon an era of gradually increasing business prosperity which will be liberally shared by the carriers. That the carriers shall have a fair opportunity to profit by the revival of business in order that they may expand their facilities is absolutely indispensable to their efficient service to the American public. Their unpreparedness now to cope with any greatly increased traffic is notorious. Every facility of railway transportation has been skimped for the last several years, and, as to mileage, there has been an actual decrease instead of an increase

This statement, in the connection used, must not be misconstrued to mean that the employees should be called upon to bear the cost of railway rehabilitation, improved service and reduced rates. It simply means that it is only patriotic common sense and justice that every citizen, including the railway employee, should cooperate in a cordial spirit, should bear and forbear, until the carriers are back on their feet.

When this accomplishment is safely under way, it will then be possible for the Railroad Labor Board to give increased consideration to all the intricate details incident to the scientific adjustment of the living and saving wage, with enlarged freedom from the complications of the "relevant circumstances" of the abnormal period which is now approaching its end.

DISSENTING OPINION

The undersigned dissent from the majority decision for the following specific reasons:

1. The bases upon which the decision rests are not in themselves sufficient to justify the action taken. The Labor Board has gone into considerations which affect the issues only indirectly, if at all, and has

ventured upon ground which indicates a very free interpretation of the "other relevant circumstances" provision in the transportation act. It has considered the effect of its decisions upon wages in other industries, extending its own "sphere of influence" beyond the transportation industry. It has taken into consideration that part of the duties of the Interstate Commerce Commission which has to do with railway profits and the need for railway expansion. It has considered the effect of rates charged shippers and then decided what wages should be paid the railway workers . .

In view of the social responsibility of the Railroad Labor Board, the nature of the circumstances influencing this decision merits special consideration. To state that the present decision is based on the probable effect on other wages and industries can mean nothing else but that reasons affecting less essential industries have altered the status of the railway workers. The other reasons offered relate primarily to the financial status of the roads. The workers are called upon to cooperate in a cordial spirit in the patriotic task of providing a surplus for reinvestment in the railways. The recent decision of the Interstate Commerce Commission was based upon figures showing railway earnings; the Interstate Commerce Commission is charged with responsibility for regulating railway income. The single fact that substantial rate reductions were ordered indicates that they are discharging this function and that in their opinion at the present time, at least, the railways are not greatly embarrassed by financial considerations.

The lack of any statement which might indicate that human beings are to live narrower lives by virtue of the decision handed down is a clear indication that the majority has taken over the typical employer's approach to the problems of the workingmen. Despite the magnanimous statement that human labor is not a commodity, there seems to be very little basis for saying that it has not been so considered. Lengthy statements dealing with transportation costs, economic laws, "the vastness of the problem," and "fair opportunity to profit," can mean but little to the worker faced with the necessity of providing food and clothing for his family. If American workers are entitled to "life, liberty, and the pursuit of happiness," it should surely be part of the responsibility of government to patriotically insure that the pursuit shall not be carried on at a hopelessly long distance. It is said that "every facility of railway transportation has been skimped for the last several years," and it should not be thought facetious to remark here that if the railway workers had been given the generous consideration accorded those facilities, something of the skimping going on under thousands of American roofs might have been eliminated. . . .

Majority Attempt to Avoid Implications of Their Decision

As a matter of fact, the correctness or incorrectness of the deduction of the majority as to the present condition of the carriers or as their crying need for profits is unimportant because the whole matter is irrelevant to the consideration of just and reasonable human standards, which,

according to Senator Cummins, is the special function of the Labor Board.

The majority attempt to avoid the implication of their announced basic consideration by the further comment:

This statement, in the connection used, must not be misunderstood to mean that the employees should be called upon to bear the cost of railway rehabilitation, etc.

But they can not so easily avoid the clear results of their decision. The employees will look to the substantive part rather than to the covering words. In order to harmonize the statement just quoted with the rates of pay which will result from these decisions, the majority are forced to add a hasty qualification which amounts to a contradiction of the assertion. It is to the effect that the railway employees must "bear and forbear, until the carriers are back on their feet"

Interpreted in terms of rates of pay awarded, this can mean nothing unless it means that railway employees must bear unjust wages until the carriers are willing to admit they have secured the rehabilitation which they demanded.

The meaning of the majority is clarified by the statement which follows:

When this accomplishment (the rehabilitation of the carrier) is safely under way, it will then be possible for the Railroad Labor Board to give increased consideration to all the intricate details incident to the scientific adjustment of the living and saving wage * * *.

The employees may well consider this an ultimatum to the effect that justice to them and their families, a real consideration of their human needs, must await complete satisfaction to ownership. In their assertion the majority admit all that we have pointed out in our former opinions; they admit that they have not considered the matter on its merits, but have been driven along by the necessities of the carriers. And they have taken as the measure of those necessities not a balanced view of the evidence offered by the parties to the case but the extreme statements of one party in its propaganda. . . .

CHAPTER VI

THE PRINCIPLE OF "COMPARISON WITH WAGES IN OTHER INDUSTRIES"

There is one principle of wage adjustment, not yet presented in the preceding sections, which often figures in wage disputes—the principle of "comparison with wages in other industries." It is possible to give arguments of both a practical and economic character in support of the use of this principle.

The practical argument may be stated first. It is to the effect that if wages in single industries are settled without constant reference and comparison to wages in other industries, differences of wages will arise that cannot be justified on grounds of equity or necessity. These differences of wages, it is further argued, will cause industrial strife and give rise to a constant succession of wage claims.

The economic argument rests simply on the well established though highly imperfect tendency for wages for different kinds of work requiring the same human qualities and offering relatively the same advantages and disadvantages, to be equal. It is well, it is argued, to recognize and support this tendency.

The principle, besides, seems to offer a presumptive test of the fairness of a wage; men are naturally accustomed to judge, at least in part, of the fairness of a wage by comparing it to wages received for other types of work in other industries. Lastly, it has been argued that the use of this principle would prevent "sweating" on the one hand, and on the other hand, the extreme use of bargaining power by any monopolistic labor unions that might be built up.

These arguments for the use of the principle of comparison with wages in other industries deserve thoughtful consideration, it appears to me. Nevertheless reflection upon the factors and forces entering into the problems of wage disputes have led me to the conclusion—which is presented to the reader's criticism—that, taking industrial practices and conceptions in the United States as they are, this principle can and should serve only as a

subsidiary one in any policy of wage settlement that may be formulated.

The reasons which can be given in support of that conclusion are as follows :

1. Neither employers nor workers (nor that composite force known as public opinion) desire to support any plan for the settlement of wage disputes which provides for the unified handling of disputes in different industries by any one body. On the contrary, the country seems committed to the definite policy of letting each industry establish its own machinery, and settle its own wage disputes on any principles it chooses

2. If and since (1) is true, it cannot be expected that there will exist any strong prevailing public sentiment to the effect that the wage claims of workers and employers in individual industries should be judged primarily by the wage situation in other industries.

3. And barring a strong and established public sentiment to that effect, it is not likely to prove very wise or very practicable for the body entrusted with the settlement of wage disputes in any single industry to try to press this principle very hard—*when its results would diverge perceptibly from the results that would be established by open industrial conflict*. Such a course may be taken with other principles which have stronger public support—such as the living wage principle.

Differences in the "condition of industry" in different occupations, differences of bargaining power of different labor groups—these and other economic differences are the chief causes of relatively unjustified differences of wages between industries. They give advantage sometimes to employers in particular industries, sometimes to workers in those industries. A body entrusted with the duty of settling wage disputes must be on firm ground before it can hope successfully to remove these advantages, for reasons of general equity. This principle does not offer firm enough ground except in extreme cases

4. There are also practical reasons in support of this conclusion. It is difficult to get accurate and satisfactory comparisons of wages in different industries; it is even more difficult to get agreement upon the human qualities required by different kinds of work in different industries, and the relative advantages

and disadvantages of each kind. The facts under comparison are in dispute as often as not.

5. This practical difficulty is intensified in times of changing price and income levels. Wages in some industries may change; in other industries they may remain stationary. Which industries are to be taken as the basis of comparison?

6. We have not agreed upon a national wage policy, and it is not likely that we will have one. Therefore the only way in which the workers can press for the maintenance or improvement of their wage standards is by the use of their bargaining power industry by industry. That is the way they seek to share in any increase in the product of our economic system. As is discussed later, it may be distinctly sound public policy sometimes to discourage or disallow wage demands in individual industries that are extreme in comparison with wages in other industries, whether these demands rest on the condition of industry or upon bargaining power. But the reasons for that policy in each case must be strong, and care must be taken that the result is one of public benefit, not of private benefit. If wage demands in particular industries were constantly refused merely on the ground that the existing wage relationship between industries would be disturbed, or that some unjustified difference was created, individual groups of wage earners would feel themselves bound to a static position though an increase of wages might be otherwise justified. Furthermore if the policy of comparison was made a basic one, wage reductions that were necessary and justified on other grounds might be retarded too seriously. If the principle is put in the forefront of policy, it reduces to an extent that cannot be justified by any public gain, the sense (and reality) of independence that those engaged in a particular industry—workers and employers—usually like to retain. Lastly, it would tend to discourage efforts to secure increased production, if the higher wage obtained thereby was constantly lowered down to the level in other industries.

Weighing these matters, the conclusion offered is this—that under present circumstances the principle of comparison will not work satisfactorily as a basic principle of wage settlement, but can be a useful subsidiary to such others as are used. Its best service comes as a check to their operation, or to the opera-

tion of unregulated economic forces. It is a principle by which it may be possible to avoid the more extreme and most troublesome of unjustified wage differences between industries. On the one hand its application would tend to prevent extreme depression of wages in any industry (the living wage principle would take care of that) ; on the other hand extreme use of bargaining power by particular groups of wage earners could be discouraged if and when it was judged that the public interest was seriously threatened.

If the principle is enforced only to avoid extreme unjustified differences, if wage movements in different industries are considered independently as long as these extreme differences do not arise, it is plain that no ordered scheme of wage relationship will result. The advantages that such a scheme might offer in the way of industrial stability will not be obtained. Unless and until it is judged practicable and advisable to adopt a national wage policy, no very ordered and stable relationship between wages in different industries is to be conceived, such industrial difficulties as result from the lack of a national wage policy will have to be faced.

It is both desirable and inevitable that in the settlement of wage disputes some comparison between wages in different industries should take place, and the principle under discussion represents that conclusion. It is also fairly evident that this principle must be used in combination with other principles, and in the editor's opinion, secondary to them—as a check upon them. The question therefore which it is desired to bring before the reader is “when, how and to what extent should this principle be used along with other principles of wage settlement?” rather than the question of whether it should be used at all.

The original case material bearing on that question is very defective and hard to arrange. The following cases illustrate the use of the principle under simple circumstances, and illustrate a few of the difficulties that arise in its application—nothing more, it is feared. Inspection of the material seems to show such complete inconsistency on the part of both workers and employers in their attitude upon this principle (according to where their interests pointed) that it has seemed only confusing to multiply cases in which the principle is discussed. Instead the editor has ventured upon the preceding statement of personal opinion.

It is of some interest to note that a consistent and partly successful effort has been made by the Australian industrial courts to maintain an ordered scheme of wage relationship throughout industry, a scheme constructed upon the basic living wage applied throughout all industry (with reasonable exceptions). They have steadily used this principle of comparison to keep wage rates in different industries in a fairly constant relation to each other—barring the production of evidence showing just reason for a change in that relationship. The courts have nevertheless always entertained the argument that once the basic wage was obtained, differences in the condition of particular industries should be taken into account in settling wages for particular industries, even if the previous relationship were disturbed. And of recent years this latter tendency has become more marked, owing largely to the pressure of separate industries and groups of workers. Safeguarded as the workers have been by the universal application of the living wage principle, there has been little fear that this change in practice would lead to extreme underpayment of the weakest groups of workers.¹

¹ The Australian Industrial Courts for many years made an effort to maintain a comparatively stable relationship between different wage earning groups in different industries, being in a position to make that attempt by virtue of the scope of their jurisdiction. But even they have recognized that this relationship cannot remain absolutely stable. Their attitude is well summed up in the following extract from a decision of the South Australian Industrial Court (Cardboard Box Makers Case Decision No. 23—1913, South Australian Industrial Reports Vol. 3 (1919-20), pages 108-9.)

"A third subject is of general importance, though possessing a particular significance with respect to several items in the claim now before the Court. I refer to the old antithesis between order and progress, as exemplified in the sphere of industrial regulation. In several cases I have emphasized the need for arriving at conclusions as to wages and conditions of work which will harmonize with the general scheme of wages and conditions awarded by the Court in industries generally, and particularly in allied industries (cf. *The Furniture Trades Case*, 2 S.A.I.R. 198, at p. 217.) The ordinary worker is apt to judge himself well or ill treated according as he is or is not as well treated as other workers doing similar or comparable work. Mr. Watson Brown, who represented the respondents in the present case, did not attempt to defend the pre-existing conditions of the present industry, which has not previously been subject to judicial regulation. He urged the importance of following, *mutatis mutandis*, the precedent which I made in *The Printing Trades Case* (2 S.A.I.R. 31). *Per contra*, Mr. Melbourne, on behalf of the employees, asked for certain important departures from the precedent referred to. The dilemma is a difficult one. Industrial unrest is undoubtedly stimulated by a lack of standardization of wages and conditions. Yet cases come before the Court from time to time, and they have to be dealt with on their merits. A too rigid adherence to precedent may mean practical stagnation. On the other hand, the judicial regulation of the conditions of an industry without regard to precedent, may lead to the dislocation of an industry in general, and in particular, to never-ending discontent amongst employees working under other Awards in kindred industries. I am not prepared at present to give a complete answer to the dilemma thus suggested. I may point out, however, the general lines along which, as at present advised, I think an Industrial Court should proceed. (1) The ideal of a progressive amelioration of industrial conditions should be kept in constant view. (2) Since the whole field of industry cannot be dealt with *en bloc*, and since conditions change from time to time, there must at times be unavoidable discrepancies between the working conditions prevailing even in kindred industries. The Court should beware of making a fetish

116—TRANSPORTATION ACT—UNITED STATES (1920)

In section 307 (d) of the Transportation Act 1920 a set of principles is enumerated for the guidance of the Railroad Labor Board in the settlement of wage disputes. This set of principles is printed below, as an illustration of an attempt to use the principle presented in this section in combination with other principles.

In trying to determine what relative weight to give (1) as compared with the other principles used, the Labor Board has involved itself in some of its most difficult controversies. This question has remained admittedly one of judgment, general equity, and of changing tactics in balancing the claims of the workers and the situation of the railroads. It seems more than doubtful to the editor that any other course is possible in using this principle in combination with others.

"Sec. 307 (d) * * * In determining the justness and reasonableness of such wages and salaries or working conditions the Board shall, so far as applicable, take into consideration among other relevant circumstances.

- (1) The scales of wages paid for similar kinds of work in other industries;
- (2) The relation between wages and the cost of living,
- (3) The hazards of the employment;
- (4) The training and skill required;
- (5) The degree of responsibility;
- (6) The character and regularity of the employment, and,
- (7) Inequalities of increases in wages or of treatment, the result of previous wage orders or adjustments"

of uniformity. Employers and employees, if they are to assist the Court, must be prepared to tolerate occasional discrepancies. If the result of granting a particular claim in one case were to be made by employees in kindred industries a pretext for immediate complaint, then an undue pressure would be put on the Court to observe a rigid adherence to precedent, and so far to fail in working towards that ideal of progress to which I have referred. If, to be concrete, employees in industry A are granted something which employees in industry B do not possess under some previous award, the employers in industry B must be content at times to wait until the conditions of their industry are again before the Court. *If they fail to do so, they are subordinating the wellbeing of employees as a class in order to secure a sectional gain.* Much is said to-day of the solidarity of the wage-earning class. If that solidarity were an established fact, there would be much less sectional discontent than at present exists. The solidarity in question involves sacrifices as well as advantages; a degree of patience and self restraint as well as a participation in common achievement. (3) Subject to the foregoing observations, I repeat what I said in *The Plumbers Case* (1 S.A.I.R. 116). In that case, while affirming that industrial law, like civil law, is a body of progressive principles, I said also that an Industrial Court, being a Court of Law, must observe a reasonable uniformity, consistency, and certainty—an accordance between justice and the legitimate expectancy of the parties. This, of course, means that precedents must always be carefully considered, and that any departure from them must be for adequate reasons, shown or apparent. . ."

117—ARBITRATION—BOSTON ELEVATED RAILWAY
COMPANY (1914)¹

The following extract is given as an illustration of a considered attempt to use this principle of comparison. Note that the Board accorded more weight to the principle as applied to the mechanics who are employed in other industries, than as applied to the other employees who could not so easily shift occupations.

Wages in Other Occupations

The Union has also introduced evidence to show that wages in other skilled occupations in the city of Boston have advanced during the 16 years under discussion and are to-day substantially higher than the wages of many employees of the Elevated, whose occupation, they claim, involves a corresponding degree of hardship or requires a corresponding degree of skill

Blue-uniform Men Compared with other Occupations

On the whole, we think that the evidence relating to other occupations is not very helpful in determining what the wages of blue-uniform men should be. So far as the conductors and motormen are concerned, wages of cigar-makers, printers, or men engaged in the printing trades, are not very helpful, though it was proper enough that they should be introduced, and the Board, in determining the question whether the blue-uniform men should have an increase and what the increase should be, has given some consideration to this line of evidence offered on behalf of the men

Shopmen Compared With Other Occupations

So far as the shopmen are concerned these outside wages have distinctly more bearing. It may be said, however, that many of the mechanics and other employees of the Elevated Company are not obliged to have the same all-around knowledge of their trade that is required of journeymen engaged in the building trades. The work of the Elevated Company is in a large measure the same work over and over again, and it appears with reasonable clearness from the evidence that, while a member of one of these skilled trades practicing this employment must serve an apprenticeship, or what corresponds to an apprenticeship of one, two or three years, in the case of a large proportion of the work performed for the Elevated an inexperienced man can pick up the knowledge needed in a shorter period of time.

It is also true, we think, that an employee of the Elevated or most of the employees of the Elevated, are given continuous work throughout

¹ Report of Board of Arbitration in Controversy between Boston Elevated Railway Company and Boston Carmen's Union Division 589. (1914).

the entire year, and are not obliged to lose time in turning from one job to another, or to lose time because of the usual seasonal fluctuation which occurs in the building trades or to lose time because of the recurring greater fluctuations due to two or three years active building construction followed by a year or two of dulness while pointing out these substantial differences, it may be said that the Board has given considerable weight to this class of proof offered by the Union in considering the wages of the shopmen.

City of Boston Employees

The Union has also introduced evidence to show wages paid certain employees of the city of Boston.

We do not think, however, that wages of city employees constitute a determining factor. It seems to be the wish of the people of Boston that the city shall set a high standard and at all times keep its wage scale well in advance of the general wage scale of the community.

Wage Rates of Other Massachusetts Companies

The Union has also urged that the wage rates of other Massachusetts street car companies introduced by the Elevated Company as a part of its case show that in some respects these Companies are paying higher wages, and that all of them have a shorter graduated scale, so that the men rise within less years to the maximum pay.

The wage rates of other Massachusetts street railway companies have a vital and direct bearing upon the question of wages in Boston . . .

118—REPORT—ANTHRACITE COAL STRIKE COMMISSION (1903)¹

This decision is reprinted as an illustration of circumstances in which the principle of "wages in other industries" has been ordinarily used.

It serves to do away with serious inequalities in wages arising out of purely economic causes—such as differences in organization and bargaining power, past differences in "condition of industry," etc. Naturally some judgment is required to decide whether the results of a wage change designed to remedy a clear inequality will be beneficial, considering the originating causes of the inequality. This latter question arises chiefly when an attempt is made to raise wages in a comparatively poorly paid industry up, to what is considered the general level.

As to the general contention that the rates of compensation for contract miners in the anthracite region are lower than those paid in the

¹ Report of Anthracite Coal Strike Commission of 1903 *Bulletin of the U. S. Bureau of Labor Statistics* No. 46 pages 131-5

bituminous fields for work substantially similar or lower than are paid in other occupations requiring equal skill and training, the commission finds that there has been a failure to produce testimony to sustain either of these propositions

As to the bituminous fields, we have no satisfactory evidence upon which to base a comparison between the standard of earnings there and in the anthracite fields, neither miners nor operators adducing evidence upon which an intelligent judgment on that point might be formed. There was, however, a good deal of testimony upon the second proposition, that the present rates of compensation in the anthracite region are lower than those in other occupations requiring equal skill and training

To some extent the contract miner has within his own control the number of hours he shall work each day, and consequently the amount of work he shall perform. He is paid by the mine car, yard, or ton for the coal he blows down, the loading of which into the mine car is generally the work of a laborer, who is paid by the contract miner, who also pays for powder, oil, and tools, so that in many respects he may be called an independent contractor. For our present purpose it is important to ascertain, first, the net earnings he is able to make for the day or the year, and second, what he actually does make. We find some, though not a great, difference in the answers to these two inquiries. It is not surprising to find that there is much difference in the annual earnings of such miners. Experience, natural capacity, aptitude for the work, individual industry, and habits of sobriety materially affect the amount that is earned

In addition to these causes of difference, which are more or less in the control of the miner, there are others inherent in the nature of the work, which, though there is a tendency to overcome them by differential rates of payment and by allowances, still constitute serious obstacles to uniformity in the miners' monthly or yearly earnings. Such are the variation in thickness and pitch of the coal seams, faults, and the greater or less impurity of the coal owing to the presence of rock, slate, and other foreign substances. Although there is an endeavor, as has been said, to overcome these difficulties by allowances, there still must remain, when the best has been done, inequality arising from these causes in the aggregate yearly earnings of the miner.

We find that the average daily *rate* of earnings, as nearly as can be ascertained, does not compare unfavorably with that in other industries requiring substantially equal skill and training. It is more instructive, of course, to compare *annual* earnings of the contract miner with the *annual* earnings of those employed in other occupations. We find that these annual earnings of contract miners, based upon returns for the year 1901, range between \$550 and \$600. Perhaps it would be safe to put the average at \$560. . . .

Reviewing the whole case, and acting upon the conviction produced by the hearing of testimony and the examination of statistics, the commission is of the opinion that, in view of the interruptions incident to mining operations, the increased cost of living, the uncertainty as to the

PRINCIPLES OF WAGE SETTLEMENTS

number of days during the year presenting an opportunity for work, and the inequalities of physical conditions affecting the ability to earn, and not overlooking the hazardous nature of the employment, some increase in the rate of compensation to contract miners should be made.

The commission, therefore, considers, and so adjudges and awards, that an increase of 10 per cent over and above the rates paid in the month of April, 1902, be paid to all contract miners for cutting coal, yardage, and other work for which standard rates or allowances existed at that time, from and after November 1, 1902, and during the life of this award. . . .

119—CANADIAN INDUSTRIAL DISPUTES ACT—BRITISH COLUMBIA ELECTRIC RAILWAY CASE—CANADA (1913)¹

This case is given as a simple illustration of the use of the principle of comparison by itself. The wage increase demanded is refused on the ground that existing wages are fair compared to wages in other industries—a refusal to create what is judged an inequality.

MAJORITY REPORT

. . . A majority of the Board conceive that wages under the present constitution of society are governed in the last analysis by the law of supply and demand . . .

As to whether 35 cent per hour men of three years ago are getting a fair living wage under the proposed schedule which grants them no increase, the majority believe the chief guides to be followed are two comparisons: 1st, a comparison between earnings at that rate and earnings at the coast in occupations that may reasonably be considered as being similar careers in life, and 2nd, a comparison between the British Columbia Electric Railway rate and that paid by other corporations operating street railway service

Comparing the average yearly amount that can be earned at this maximum by motormen and conductors working reasonable hours each week, with what can be earned by, say carpenters employed in the building trade in Vancouver, the evidence adduced before the Board convinces the undersigned that the first named amount would be very considerably greater than the second. It is true that carpenters get a higher rate of pay whilst actually at work, but their average yearly earnings are kept down partly through lack of continuous employment and mainly because climatic conditions stop almost entirely building operations during several months in the year. The majority have not overlooked the argument of the men that when carpenters are not working they are not co-operating

¹ Report of Board in Dispute between the British Columbia Electric Railway Company and Employees (1913). *The Canadian Labour Gazette*, September, 1913. pages 271-5

with their employers in the production of wealth, and that their share of such wealth is fixed by the rate per hour paid them which is higher than 35 cents, but in the opinion of the undersigned under present economical conditions in the fixing of the hourly wage for carpenters the fact that long periods of enforced idleness is an unavoidable incident of the trade, is allowed for. Likewise, it appears certain that a large number of employees in the Civil Service of British Columbia receive per annum a less wage than can be so earned by motormen and conductors; and that this is also true of a comparison between their earnings and those of a large number of store and office male employees at the coast. . . .

For these reasons the undersigned feel compelled to refuse to increase the maximum . . .

The British Columbia Electric Railway Company, Limited, being the only tramway system worthy of the name in British Columbia, it is necessary to go afield to institute the second proposed comparison. In so doing, of course, the cost of living in the cities compared, as contrasted with the cost of living in Vancouver, Victoria and New Westminster, must be taken into account.

The maximum paid on the systems closest to that of the British Columbia Electric Railway Company, Limited, is very considerably below theirs; notably, in Everett, Seattle, Portland and Spokane. The Board has no reliable data as to the present cost of living in these cities. In Canada the nearest system that can be compared with the British Columbia Electric Railway Company, Limited, is that of Winnipeg. The maximum there is 34 cents per hour, which is the highest in Canada except that of the British Columbia Electric, so far as the evidence showed. It is argued that the cost of living in Winnipeg has not increased proportionately, and is not now as high as it is in the cities of Vancouver, Victoria and New Westminster. This contention is mainly based on the calculations of Mr. Cotsworth, which are founded on the retail prices transmitted to the Department of Labour monthly, by representatives in the various cities in Canada. To a certain extent, however, these figures involve the personal equation; inasmuch as the prices given are not those of identical standard articles, but are those of classes of articles, and obviously the judgment of different individuals will vary as to whether articles of a certain price should be included in a certain class or not. An analysis of the Winnipeg and coast city figures fails to convince the undersigned that such excess in the cost of living really exists, or if it does, certainly not to such an extent as to absorb entirely the additional earnings of coast employees because of the extra cent per hour paid them. . . .

It may be noted, in conclusion, that the evidence shows that the British Columbia Electric Railway Company, Limited, are inundated with applications to enter their service, even under the old wage schedule; and, therefore, the operation of the law of supply and demand appears to be entirely in their favour. . . .

120—GREAT BRITAIN—TRANSPORT WORKERS COURT
OF INQUIRY (1920)¹

In the following case (Minority Report) we see the principle of comparison used as an argument against a wage change in a particular industry—it being claimed that a new unjustified, and disturbing difference of wages is being created. In the majority report, this principle is given only secondary attention, and the wage increase was granted half in spite of it. A question of judgment is obviously involved. Arbitration boards faced with this question are apt to give as much consideration to the relative bargaining power of the two sides, as to anything else—the effect on the wage structure in other industries becoming a remote consideration.

MAJORITY REPORT

Alleged Effect on Other Industries

21 Entertaining these views as to casual labour, it will be seen that the Court is not in a position to give much effect to the argument derived from other industries. A serious problem of readjustment confronts the dock trade; and as matters stand, the analogy with other industries fails at the crucial point, namely, that, in those, regular and steady employment prevails. It must be added, however, that, a substantial number of the employees who are claimants in this inquiry do have regular employment, and that the Court has had to do its best, in view of the solidarity of the claim as presented by all classes of dock labour, regular and irregular, to reach a daily minimum which shall be just all round . . .

MINORITY REPORT

(4) We direct special attention to the effect of this recommendation upon the recent national settlement of railway wages. Under this, the minimum wages of porters at goods depôts are fixed at from 57s. to 61s. a week of 48 hours, varying with district, giving an hourly rate of from 1s 2¼d. to 1s. 3¼d. This contrasts with 64s. 2d., the lowest rate of pay current in the great ports for 44 hours' work being at the rate of 1s 5½d. per hour. The minimum rate now demanded for dockers is 16s. a day, or 2s. per hour. This is more than 60 per cent above the average minimum of the railway goods porter. Would those railwaymen who work alongside the dockers on the same

¹ Transport Workers Court of Inquiry—Great Britain Cmd 936 (1920) Vol. 1. pages 11, 20

class of work (many of them for the same employer), and whose union is in the same Triple Alliance, be content with their present settlement?

(5) We must, however, look beyond railway workers. Dock wages have always been an important element affecting wages in urban districts. Dock work may for the most part be described as "unskilled." Engineers and other craftsmen who have served an apprenticeship are recognized as following a calling superior to that of the docker. To increase the minimum pay of the dockers throughout the country by 23s. 10d a week (*i.e.* 5½ times the difference between 11s. 8d and 16s.) would be to raise it considerably beyond the level of many grades of skilled workmen and would inevitably lead to such workmen throughout the country agitating for corresponding increases in their wages. The Prime Minister has recently enforced the same point in his reply to the miner's demands (which are for 15s a week) saying that if they were conceded it—

"would knock the whole wage system of the country absolutely endways because it could not possibly end with the miners"

The experience of the notorious 12½ per cent advance to munition workers would be repeated even more disastrously, for the docker's claim is not for 12½ per cent, but for a 37 per cent advance. An advance on this scale (23s 10d a week) to the 12,000,000 workers of the Kingdom would entail an addition of 750,000,000l to the annual national wage bill and the cost of commodities. A new vicious circle would be created still further inflating currency and enormously increasing the cost of living . . .

121—DECISION—RAILROAD LABOR BOARD—RAILROAD SIGNAL MEN (1923)¹

In this case we see the trade unions concerned supporting the principle of comparison—on the ground that a grave inequality to their disadvantage will otherwise result. The railroads and the majority of the Railroad Labor Board tended to take the opposite point of view.

The controversy illustrates the practical difficulty dwelt upon in the introduction to this chapter. Which industries are to be taken as the standard of comparison? How large a wage change in other industries should be taken to justify a wage change in the industry concerned, etc., etc? What is a just wage relationship between different classes of workers in the railroad industry and those in the building industry, etc.?

¹ U. S. Railroad Labor Board—Brotherhood Railroad Signalmen *vs.* Atcheson, Topeka and Santa Fe Railway System *et al* Decision No 1983 (1923).

MAJORITY OPINION

It is insisted, however, that notwithstanding the almost stationary condition of living costs there has been a marked upward trend in wages since the rates of pay were fixed for this class of employees by Decision No. 1074. It is contended that this development furnishes a sufficient basis upon which to predicate a wage increase for the employees of this class.

That there has been such an upward wage movement for the past year is abundantly proven. While its extent has been quite general, it has been most strikingly manifest in the case of common labor and in the seasonal occupations, particularly the building trades.

In so far as the building trades are concerned, they furnish no safe criterion at this time by which one can be guided in the fixing of wages for railway employees. The accumulated housing shortage, which followed the building inactivity of the war period, has resulted in highly artificial conditions in that industry. The inflation of the price of materials and the skyrocketing of wages in the building trades constitute a flagrant illustration of the anathematized law of supply and demand. In this case, it happens to be the laboring man in whose favor it operates. The supply of housing having fallen so far behind the demand during the war period, a feverish and frantic effort is being made to meet the demands all at once. The supply of labor is not equal to this extraordinary demand. Hence, the abnormally high wages in the building industries.

The only direct way in which these temporarily high wages in the building trades affect railway wages is by their tendency to draw certain classes of railway employees from the railway service to help supply the labor demanded by the building trades. Against this factor, however, the railway employees will consider, and the Railroad Labor Board must consider, the irregularity of employment in the building trades as compared with the continuity and steadiness of the employment of the particular class of railway employees in question.

Incidentally, of course, the fact is not overlooked that the high cost of building is working a hardship on railway employees and many others by providing the excuse and opportunity for the exaction of extortionate rents. This item is covered in the cost-of-living element.

The question as to what extent the Board should consider an upward trend in the wages paid in other industries, unaccompanied by any appreciable increase in the cost of living, is a difficult one. This one factor alone might in some instances justify a wage increase. It will rarely happen, however, that it exists without the concurrence of other factors of more or less weight.

In the present case it might be said, as it sometimes is, that even if it be conceded that the changes in general conditions are such as to justify a wage increase, the question still remains as to whether the previous wage adjustments of the employees in question have been fair and just.

The records show that employees of this particular class have received wage advancements somewhat more favorable than those of most other railway employees. . . .

A part of the evidence before the Railroad Labor Board is to the effect that certain of the carriers have voluntarily granted increases in the rates of pay of this class of employees. It is shown that 12 out of the 201 Class I carriers have granted increases, and that these 12 carriers employ a considerable per cent of this class of employees. This evidence is persuasive, but not conclusive. If it appears to the Board that conditions do not justify a general increase, then it must be inferred that the carriers granting increases were influenced by conditions peculiar to themselves. This inference is strengthened by the fact that 10 of the carriers in question are located in the East and the other 2 in contiguous coal regions. None of them are in the West, and only the 2 coal roads penetrate any part of the South.

To what extent the local conditions actuating these 12 roads may exist on any of the other roads does not clearly appear in evidence. If there be such conditions, the respective carriers and the employees concerned are at liberty to recognize them in further negotiations.

In view of the premises, it is the judgment of the Railroad Labor Board that there should be no general increase in the wages of this class of employees at this time.

MINORITY OPINION

Upward Wage-Trend in Outside Industries Ignored by Board

The employees introduced evidence proving the extent and magnitude of the wage increases that workers in outside industries have received since the signalmen's wage reduction in Decision No. 1074, rendered in June, 1922. The only possible conclusion that can be drawn from this mass of material by any one—even by those who only make a pretense of being fair and reasonable—is that wage increases were not limited to any one industry, nor any one group of industries. Nor is it a fact that wage increases were granted preponderantly to only the unskilled. On the contrary, it is an indubitable fact that the composite picture presented by the employees of the wage trend for the past year showed a cross-section of the wage movement throughout industry. This picture included every important industry in this country, and covered the wages of skilled as well as of unskilled workers. The following table of wage increases from June 15, 1922, to July 15, 1923, based on the United States Bureau of Labor Statistics' reports, covering 51 industries, gives striking proof of this contention:

**Wage Changes Reported to United States Bureau of Labor Statistics
From June 15, 1922, to July 15, 1923**

Year and Month	Number of establishments reporting wage changes	Number reporting wage increases	Number reporting wage decreases
1922:			
June 15 to July 15.....	96	66	30
July 15 to Aug. 15..	102	84	18
Aug. 15 to Sept. 15.....	279	276	3
Sept. 15 to Oct. 15.....	228	223	5
Oct. 15 to Nov. 15	180	174	6
Nov. 15 to Dec. 15	125	120	5
1923:			
Dec. 15 to Jan. 15	242	239	3
Jan. 15 to Feb. 15	252	251	1
Feb. 15 to Mar. 15.	388	386	2
Mar. 15 to Apr. 15.... ..	802	800	2
Apr. 15 to May 15.... ..	1,281	1,279	2
May 15 to June 15.. ...	473	472	1
June 15 to July 15.. ...	302	302	0
Total	4,750	4,672	78

Per cent of increase to total wage changes since June 15, 1922 . . 98%

It will be noticed that out of a total of 4,750 wage changes since June 15, 1922, no less than 4,672, or 98 per cent, were increases. Figures from all other sources tell the same story.

The majority confronted by these facts found themselves in a quandary and in an impossible position to justify their apparently preexistent prejudice against a wage increase.

When Decision No. 1267, granting an increase to maintenance-of-way employees, was promulgated on October 21, 1922, the upward wage-trend had but recently set in. From February 15, 1922, to September 15, 1922, according to the table published in that decision, there were 283 increases reported and 229 reductions.

In that case the Railroad Labor Board put itself unequivocally on record as to what it considered a sufficient change of industrial conditions to warrant an upward revision of wage rates.

The Board in justifying the rendering of Decision No. 1267 within three and one-half months after Decision No. 1028 was issued, states the following:

"That portion of the petition which asks for a wage increase on the ground that industrial conditions have undergone changes since the evidence was submitted, upon which Decision No. 1028 was predicated, is granted to the extent

herein below set out. It has not heretofore occurred that the Board has handed down a decision either increasing or decreasing wages after the lapse of such a short period as three and one-half months since the effective date of a former decision, but the evidence in this case is so clear and satisfactory as to justify promptness of action.

"Perhaps, the sudden and unexpected fluctuations to which industry has been subjected since the war have not been more strikingly exemplified than by the sharp upturn of wages which began in April of this year in various industries affecting particularly common labor. When the evidence was submitted in March, upon which decision No 1028 was based, this upward wage-trend had not set in and could not with any certainty be anticipated." (III, R. L. B., 767)

The former declaration of the Board illustrates superbly how impervious the majority in the present decision is to evidence of the same nature but incalculably more conclusive. When the upward wage-movement had but begun, the Board deemed the evidence "so clear and satisfactory as to justify promptness of action" and granted an increase to maintenance-of-way employees. But when the upward trend had increased in momentum during the whole of the intervening year, the Board failed to recognize that in justice and reasonableness the wages of the signalmen should likewise be increased. In the attempt to extricate themselves from the position of offending the carriers by granting an increase, the majority members enmesh themselves in a crying inconsistency. The evidence that is considered relevant for one group of employees becomes irrelevant for another.

The majority crudely recognizes this fact and attempts to find some comfort by injecting extraneous and nonexistent elements. The attempt is first made to belittle the general wage movement of the last year by diverting attention to an alleged fact that wage increases manifested themselves "most strikingly in the case of common labor and in the seasonal occupations." This alleged fact finds substantiation nowhere. But, even if it were true, it does not in the least follow that the increases to the skilled workers in all the important industries have not manifested themselves in a striking enough manner to warrant an increase in wages to the employees of the signal department.

The employees' submission includes a table based on the Industrial Conference Board's (an agency of the employers) figures showing the number of wage increases granted throughout industry. This submission includes also a detailed list of the plants which have granted these increases, and upon which the above-mentioned table is based. A study of this list does not reveal that the increases were "most strikingly manifest in the case of common labor and in the seasonal occupations, particularly the building trades." The monthly reports on employment statistics by the United States Department of Labor are of importance in this respect.

In its June, 1923, report the United States Bureau of Labor Statistics states the following:

"The greatest number of establishments in any one industry reporting increases was 114 in foundry and machine shop products, followed by 103 in iron and steel, 102 in woolen goods, and 99 in cotton goods. The increases were general to practically all employees in the establishments concerned in both cotton and woolen goods, while they affected over 92 per cent in the iron and steel establishments concerned."

In its report for July, 1923, the following comment is found:

"The greatest number of establishments reporting increases in any one industry was 63 in foundry and machine shop products, followed by 24 in iron and steel, 14 in structural iron work, and 13 each in flour and furniture."

Where is the preponderance of the building trades and common labor? Why did the majority take such pains to emphasize and explain a situation that does not exist? The answer is not far to seek. It is nothing more nor less than an attempt to beg the issue and to detract attention from the evidence in the case. It is an attempt to explain away the Board's inconsistency in granting an increase as far back as October, 1922, to the maintenance-of-way employees on the same type of evidence, although the evidence then was admittedly not nearly so conclusive as it is now.

It is an attempt to explain away the Board's inconsistency in giving evidence of the same type, when submitted for the purpose of *wage reductions*, full credence and weight. In 1921 when the trend of wages was downward, the Board wasted no time and granted immediate relief to the carriers through the drastic reduction of wages directed in Decision No. 147, dated June 1, 1921. The Board stated in Decision No. 147 that—

"The Board believes that based on these elements shown, i. e., the decreased cost of living and the general decrease in the scale of wages in other industries, the decreases herein fixed are justified and required." (II, R. L. B., 133)

The general *increase* in the scales of wages in outside industries has now proceeded unabated for over 18 months, but the majority of the Railroad Labor Board believes, nevertheless, that increases are neither justified nor required. Wage statistics, when they show a downward trend, are relevant and conclusive; they justify a wage reduction. But wage statistics, when they show an upward trend, are neither relevant nor conclusive. Logic of this kind will not fail to breed distrust and contempt for the institution that employs it.

Basis of the Majority's Comparisons in Outside Industries

It must also be borne in mind that the majority has never recognized or given proper consideration to wage rates and working conditions in outside industries as negotiated by the unions of workers, but has almost uniformly accepted as the basis of its wage and rules decisions the con-

ditions existing in unorganized plants, industries, or communities, and they attempt to justify this by saying that the Transportation Act, 1920, does not require the Board to recognize and make a distinction between union and nonunion conditions of employment. Just think for a moment. This means that the organized workers on the railroads are having their standards of employment gauged by the standards fixed by employers who refuse to recognize the right of the workers to have a voice in regulating the conditions under which they shall dispose of their services. . . .

Voluntary Increases Granted to Nearly Half of Railroad Signalmen in America Ignored by the Board

The majority opinion makes light of the employees' contention that many carriers have already granted voluntary increases in rates of pay of signalmen. Only 12 out of the 201 Class I carriers have granted such increases, the majority members contend.

The evidence, the opinion continues, "is persuasive, but not conclusive." The line of reasoning that the majority members employ seems to be as follows:

Twelve out of 201 Class I carriers is a very small percentage. It does not point to a general condition. It merely points to isolated manifestations in certain localities. The increases must have been based upon purely local conditions. The Board does not take cognizance of local conditions for purposes of wage *increases*. It takes cognizance of local conditions only for purposes of wage *reductions*, as in Decision No 1933, rendered July 21, 1923, when the Kansas City, Mexico & Orient Railroad Company was granted relief in the form of wage reductions to its employees. What the local conditions peculiar to these 12 carriers are does not appear. This situation may even be another "flagrant illustration of the anathematized law of supply and demand."

This line of reasoning can be explained on two possible grounds. Either the majority was ignorant of the facts or it consciously and willfully misrepresented the case.

The real facts governing this contention were ascertainable by the majority members, and a knowledge of them is therefore clearly chargeable to them. They are:

- (1) Seventy-one of the 201 Class I carriers employ no signalmen.
- (2) Total number of signalmen on Class I carriers in July, 1923, was 14,725
- (3) Total number of signalmen affected by voluntary increases in 14 (not 12) roads was 6,769.
- (4) Class I carriers which have granted voluntary increases employ no less than 46 per cent of all signal department employees.

The facts speak for themselves, and further comment is futile.

The Board took into consideration a similar situation in Decision No. 1861, rendered June 30, 1923, when it remanded the case of the maintenance-of-way employees for further conference. The number of carriers which then had made voluntary agreements represented 60 per

cent of the total mileage of the railroads. The number of carriers which have made voluntary agreements with the signalmen employ 46 per cent of the total number of men in this class. In the former instance, the request of the employees was remanded for further conference; in the latter, the request was flatly denied. . . .

Conclusion

The undersigned therefore dissents from the majority decision on the above-stated grounds.

SUPPORTING OPINION

Upward Wage-Trend

It is strongly urged that the wages of this class of employees should be increased because there has been, and is now to some extent, a general upward trend of wages in this country. While this condition is recognized, it is not, when standing alone, a decisive factor. The mere statement that a certain number of industries have increased wages affords no basis for an appraisal of the treatment that the employees of that industry have received as compared with railway employees. To what extent the employees in the outside industry have suffered reductions previously is not shown.

The upward trend in wages has been and will be accorded fair consideration by the Board, but it must necessarily be weighed alongside the other factors affecting each class of employees concerned. This does not necessarily mean that the Board is inconsistent in its treatment of the various classes of employees, as the dissent suggests. It is more important, however, to attempt to attain justice in each given case than it is to make the decision consistent with all its predecessors. A member of the Board who opposes all wage decreases and favors all wage increases may be able to maintain his consistency at the sacrifice of other essentials.

The reduction in wages in 1921 by Decision No. 147, referred to in the dissent, was not based alone on a downward trend in wages in outside industries, but, as the quoted passage shows, also on the decreased cost of living, which at that time was marked.

In the present case, as already shown, the cost of living has been practically stationary.

The fact that the Board gave this class of employees a smaller reduction than the shop crafts in Decision No. 147 is referred to in the dissenting opinion, and the Board's reason for so doing quoted as follows: "because their rule as to the payment of punitive overtime is much less favorable than that of the shop employees." To this statement may be added the pertinent fact that the Board has since granted to this class of employees the more favorable overtime rule.

This particular class of employees has received remarkably liberal treatment as compared with other mechanical employees. This is con-

clusively demonstrated in the tables set out in the decision herein. Those tables are not seriously questioned in the dissenting opinion, and can not be. Any fair-minded and unbiased man can perceive that these employees have made great advances in wages not only as compared with pre-war wages but as compared with their wages at the termination of Federal control. This advance has much more than kept pace with the cost of living. The purchasing power of the wage of the group of signalmen and signal maintainers is now 30 per cent higher than it was at the end of Federal control, and yet, in vituperative language, the Board is denounced for its inhumanity.

Voluntary Increases by Carriers

The fact is emphasized that certain carriers have made voluntary wage increases for this class of employees.

It can only be reiterated that those carriers which gave the increases must have proceeded upon information of a nature that has not been presented to the Board in the cases brought before it.

122—REPORT OF BOARD—BRITISH COLUMBIA RAILWAY COMPANY (1921)¹

In this case we see the principle of comparison opposed (minority decision) on the ground that the wage reduction in question is not desirable or necessary considering the condition of the industry concerned and the need of a living wage.

The case is complicated by a controversy over the "cost of living" principle but that can be left aside when considering the other points.

MAJORITY REPORT

According to records in our hands, the company made application for the appointment of a Board of Conciliation and Investigation on October 4th, for the purpose of considering the following points:

- (1) Proposed reduction of fifteen per cent in wages.

The question of the reduction of wages being considered the most important point at issue, it was decided to deal with that first. The company submitted a vast quantity of data, charts, etc., and sought to show that they were justified in asking for the said fifteen per cent reduction in wages for the following reasons:

- (1) That the cost of living, as shown by the *Labour Gazette*, had fallen from \$25.72 in October of 1920, when the last adjustment of wages was made, to \$20.67 in October of 1921, a decrease of 19½ per cent.

¹ Report of Board in Dispute, British Columbia Electric Railway Co., Limited, and its Motormen, etc., *Canadian Labour Gazette*, January, 1922. pages 27-32.

- 2 (2) That, as former wage adjustments and increases had been based on the increase in the cost of living, then wages should be lowered as the cost of living is decreased.
- (3) That the wage rates at present paid by the company are higher than those generally paid by other street railway companies.
- (4) That the wage rates at present paid by the company are higher than those paid in other trades in this province for a similar class of labour.
- (5) That wages generally in this province have been reduced within the last year from twenty to forty per cent

The men opposed any reduction being made in wages at the present time, claiming that, while living costs had decreased, they were still little or no better off than in pre-war times, when the purchasing power of their money was so much greater; that they were still receiving little more than a living wage, and that they had established a higher standard of living which should not be altered. Their contentions were supported by considerable evidence consisting of charts and statements

The hearing of the evidence was completed on November 22nd, 1921, and, after due consideration, the Board found that it was impossible to come to a unanimous decision on the question of wage reduction. A majority of the Board, however, were of the opinion that the company was justified in asking for a fifteen per cent reduction, but they did not agree that so drastic a cut should be made at this time. They felt that any reduction necessary should be made as easy as possible for the men, and that they should keep pace as nearly as possible with the rate increases made previously. They are, therefore, prepared to recommend that a general reduction of ten per cent (10%) be made on all wages, except as hereinafter mentioned, as and from December 1st next

In arriving at this decision, we have taken the following factors into consideration and have based our findings accordingly

- (a) Supply and demand.
- (b) The decrease in the cost of living.
- (c) Wages paid locally for a like class of labour
- (d) Wages paid street car employees in other Canadian cities

Supply and Demand

We find that, while there is a great deal of unemployment in the city and locality at the present time, the company is restricted to some extent from going into the open market for its employees, on account of its agreement with the association or union. On this account, the law of supply and demand does not govern to a great extent.

Decrease in Cost of Living

We believe that the company has established beyond a doubt the fact that there has been a very considerable reduction in the cost of living, not only in Vancouver, but throughout the whole of Canada. Accord-

ing to the *Labour Gazette*, the peak of living costs was reached in June of 1920, since when there has been a steady decline until August of this year, when there was a slight upward tendency. The net decrease during the period between June, 1920, and October of this year, amounts to twenty-seven per cent (27%). We also availed ourselves of certain local information, and satisfied ourselves that the general tendency of prices of all food commodities, fuel and wearing apparel, is downwards, and we believe that the purchasing power of the dollar has risen during the last year by at least twenty per cent.

Wages Paid Locally for a Like Class of Labour

Statements and evidence submitted by the company, as well as a certain amount of local information gathered by the Board, convince us that the general trend of wages is downward, and that other industries in this city are paying a considerably lower scale of wages for all classes of labour, from skilled mechanics downward to common labour.

Wages Paid Street Car Employees in Other Cities

The evidence submitted went to show that motormen and conductors employed by the company were with one or two minor exceptions, receiving the highest wages paid anywhere in Canada, the rates paid in Eastern Canada being much lower than paid here, while the cost of living in eastern cities is somewhat higher.

Taking all of the above points into consideration, and weighing carefully all the evidence submitted by both parties, we are of the opinion that the company is justified in asking for a reduction in wages, and we beg to recommend as above.

MINORITY DECISION

I must dissent from the decision reached by the other two members of the Board

Simply because the employees of the British Columbia Electric Railway Co Ltd, were driven to strike, in sheer desperation, through the increased cost of living, in 1918, and compelled to plead these grounds as the primary reason for so doing, in no way establishes the principle that because men can live for less they should work for less.

But even if that hypothesis were accepted, which I do not admit, the purchasing power of wages received in pre-war days as compared with today, according to *Labour Gazette* statistics, is so infinitesimal that there is no warrant or foundation for such a sweeping reduction as proposed by the Company or that conceded by the other members of the Board. It is merely a question of viewpoint. However sincere (and this is conceded) the Chairman, it must be remembered that his life viewpoint and environment has been that of an employer.

To speak of supply and demand when discussing what wages should be is to at once associate human beings with such commodities as rails, electric equipment, track-grease or junk.

To suggest that wages are higher in Vancouver than elsewhere, for similar classes of work, is nothing new. It has always been so.

To compare the employees of the British Columbia Electric Railway Co. Ltd., with employees' wage-cuts in other industries of the Province is grossly unfair.

Most of the other industries mentioned have either closed down altogether or in part. There is no business. Not so, however, with the British Columbia Electric Railway Co. Ltd. During the stress of war-times this Company secured increased fares, eliminated the jitney, has prevented even the City itself introducing an omnibus system, and, in short, has secured a complete monopoly of a continuous business, a bigger and better business than it had in 1918. All other commodities have been reduced in price. But the Company demands more, even at the expense of lowering the standard of living of its employees . . .

123—RAILROAD LABOR BOARD—MAINTENANCE OF WAYMEN (1922)¹

If prevailing wages in many industries are below what is in the opinion of the workers a "living wage," it is to be expected that they will oppose the use of the principle of comparison in settling wages in any one industry.

In the case printed below, the majority award while not accepting the living wage principle as defended and interpreted by the unions, still subscribes to the doctrine that the principle of comparison should not be used if prevailing wages are in its opinion too low. The minority opinion stands squarely for the living wage principle, thus even more strongly opposing the use of this principle. That is the situation apt to arise in an organized industry during a depression. The reader is asked to think over the economic considerations that should enter into the decision.

MAJORITY REPORT

The Labor Board is of the opinion that after the reductions made under this decision, common labor on the railroads will still be receiving, as a rule, a wage in excess of that paid to similar labor in other industries, and that the same will be true of all other classes of labor covered by this decision. The board is of the opinion, however, that the hazards and hardships of the employment, the training and skill required, the degree of responsibility to the public, and other elements mentioned in

¹ Alabama and Vicksburg Railway Co. *et al* vs. U. S. Brotherhood of Maintenance of Way Employees, etc. *et al* Decision No. 1028 U. S. Railroad Labor Board, Vol. 3 (1922). pages 383 *et seq*

the statute, combine to justify the payment of a better wage to these employees than is paid to similar labor in outside employment.

On a very considerable number of the roads the foreman and section men are furnished living quarters and fuel by the carrier.

Moreover, the board is not in sympathy with the idea that a governmental tribunal, empowered to fix a just and reasonable wage for men engaged in serving the public in the transportation industry, should be controlled by the one consideration of the low wages that may be paid to other labor in a period of temporary depression and unemployment. It is but just to say that railway managements have indicated no desire for such a result

MINORITY REPORT

Contrast Between Wages of the Majority Decision and Any Minimum Standard Which May Be Chosen

The most important grounds for dissent from the majority decision lie in the contrast between the wages therein provided and any minimum standard of subsistence which has ever been suggested whether by governmental or state departments, investigators for charitable institutions, city bureaus, or by representatives of labor. The wages provided in the decision will enable the average employee of this class to secure little more than one-half of the necessities specified in the majority of these budgets as absolutely essential. This decision will provide the section men with only about two-thirds of the goods provided by the lowest budgets of the National Industrial Conference Board. As a matter of fact the minimum rates under this decision will scarcely buy the food part of the minimum subsistence budgets which will be cited, with nothing left for clothing, rent, furniture, heat, light, and other essentials.

Adequacy of Pre-War Wages

The increase in the value of the wages of this class of employees is, therefore, so small as to be negligible. The vital question is as to the adequacy of the pre-war wage and consequently of the wage established by the present decision. The pre-war wages of this class of workers were established in a labor market which to all intents and purposes was subject to no regulation. The carriers bought this labor as a commodity at the lowest possible figure. Just and reasonable wages could not result from such a process, which is the very antithesis of the function which the Labor Board is supposed to perform under the transportation act. It seems strange that a responsible body created to establish just and reasonable wages, with certain clearly defined principles laid down, should arrive at wage rates so closely approximating the value of those arising in an utterly unregulated labor market. . . .

Pre-War Wage of Section Men Was Wholly Unjust

The above-recited facts show the grounds for our dissent. Under the decision the great body of employees in the maintenance of way

department will receive real wages at about the same level as prevailed prior to the war. The pre-war wages were established in an overstocked labor market, through railroads or contractors bargaining against the weakness of individual workers in search of a job. Such unregulated conditions can not serve as a basis for the orderly establishment of just and reasonable wages by such a body as the United States Railroad Labor Board without a complete denial of its functions

The pre-war wages of these employees in the maintenance of way department were unjust, they were inadequate. During the period 1912-1915 it was generally recognized that a minimum of at least \$800 was necessary for the support of a family. The average annual earnings of section men, in that period, were \$429.93 (Interstate Commerce Commission report for 1915). . . .

SUPPLEMENTARY NOTE TO CHAPTER VI

DIFFERENCES IN REGULARITY OF EMPLOYMENT AS A REASON FOR WAGE DIFFERENCES BETWEEN INDUSTRIES

One matter which often occasions dispute when the principle of "comparison with wages in other industries" is used is differences in the regularity of employment in different industries. It is usual, almost customary, to pay higher rates (hourly or piece) of wages to men engaged in irregular employments, than to men enjoying steady employment on the same or similar work. Two cases illustrative of this tendency and of the questions pertaining to it are contained in this section. They are followed by two decisions of the Board of Referees of the Ladies Garment Industry of Cleveland, which decisions inaugurated an original scheme under which each individual employer is given a direct opportunity to save upon his wages bill by reducing irregularity of employment in his enterprise. The plan was conceived to do away, in part at least, with the necessity of extra payment as compared with work in other industries requiring the same abilities, by tending to do away with the main reason for this extra payment.

124—BRIEFS PRESENTED BY OPERATORS AND MINERS TO UNITED STATES ANTHRACITE COAL COMMISSION (1920)¹

This case illustrates a controversy over the question whether comparison between wages in different industries should be made on the basis of annual earnings or of time-rates (or piece rates, when as in this case they are comparable, or alleged to be.)

The workers concerned in this dispute are the ones enjoying the steadier employment. They nevertheless claim that the rates paid to the workers in the industry giving less regular work are a fair rate for them also.

¹ Reply of the Anthracite Coal Operators Before the United States Anthracite Coal Commission (1920), Scranton, Pennsylvania, July, 1920. Closing Argument of Philip Murray, Vice-President, The United Mine Workers of America before the same Commission

A reading of the arguments advanced by the two parties tends to leave the impression that the real question at issue was not so much whether wages in the anthracite fields should be compared with wages in the bituminous fields on the basis of tonnage rates (daily rates) or annual earnings—as to whether a further increase in rates and earnings in the anthracite field was justified. The operators find the comparison of annual earnings an advantageous argument; the miners find the contrary one advantageous. Each side attempted to prove its case by reference to other principles than that of comparison. The other principles are also suggested in the decision.

OPERATORS BRIEF

“ . (2) We demand that the present wages of the Anthracite mine workers be increased to correspond to the increases granted the Bituminous mine workers by the Presidential Coal Commission ”

The demand to make an increase in wages to correspond to the increase granted bituminous workers must be considered in the light of conditions in the two industries. For, if conditions differ, then this demand is based on a false premise and a scale of wages thus established would be manifestly unfair.

The conditions of employment and the opportunity for employment differ so widely in the two industries that one is not comparable with the other. Anthracite is not only mined, but, after it is mined, passes through a breaker where it is screened to mine sizes, passes to jugs or mechanical separators for removal of refuse, and is then loaded for market. The underground operation of an anthracite mine requires vastly more maintenance, pumping, etc., than a bituminous mine. As a result of the situation only about one-third of the men employed in the anthracite industry are engaged in cutting and loading coal, while in the bituminous industry two-thirds of the total are thus employed.

In the matter of working time, or opportunity for employment, the two industries have been gradually drifting apart until today the anthracite is on practically a full-time basis, as compared 200 days per year in the bituminous.

It follows that neither in conditions of employment, nor in the opportunity for work, are the two industries analogous, and there is therefore no sound reason why an advance awarded the bituminous worker should constitute a basis for adjustment of wages in the anthracite field. The anthracite industry is quite willing to compare the annual earning capacity of its employees with the earnings of those employed in the bituminous industry; for it will be shown that *the anthracite worker, under present wage scales, is earning more per annum than the bituminous worker with the increase granted by the President's Commission.*

The question as to whether rates in the anthracite industry are fair and equitable must be determined with full appreciation of the following elements

- 1) Opportunity for continuous employment
- 2) Annual earning capacity
- 3) Increase in annual earning capacity, 1914 to 1919, as compared with the increase in the cost of living
- 4) Daily wage
- 5) Comparison of rates in effect with rates paid in occupations requiring like skill in other industries.

MINERS' BRIEF

The rates paid to different classes of anthracite workers, either on a tonnage or day basis, are also available to the Commission. They can be readily compared and are the only real basis of comparison of the two industries. Relative earnings or opportunity for employment should not be considered. It must be assumed as a basis of comparison that the effort should be made to put both hard and soft coal production on a working basis. Due to our inadequate transportation facilities, the bituminous coal miners have been able recently to secure a car supply which will assure them only two or three days work each week. By the exercise of monopoly control, on the other hand, and by reason of the fact that the anthracite railroads indirectly own and control the anthracite coal mines, they see to it that a full and complete car supply is forthcoming. The anthracite miners have more work than the bituminous, and the anthracite operators, therefore, claim that the anthracite mines should have lower rates of pay. The fallacy of such a contention is apparent without discussion. The remedy lies not in lower rates of pay to anthracite mine-workers, but in improving transportation facilities, adopting other constructive policies so that the soft coal miners may have a regular opportunity for employment, and as great possibilities of earnings, as are now enjoyed by the anthracite workers. Both branches of the coal industry should be regularized as much as possible, and both branches should have the same rates of pay.

The Increased Cost of Living and Wages

Another example of the fallacious reasoning and the deplorable ethical or moral attitude of the operators, is to be found in their claim that the increased cost of living should be compared with annual earnings and not with rates of pay. Translated into other terms, this contention on their part means that when the opportunity for employment is restricted that the workman should suffer, but if the field for employment expands the worker should be content because he has been given an opportunity to work. He should not seek to improve his condition by having his wage rates advanced. He should be thankful, the operators intimate, that he can work longer—even by working overtime—so that he may be able to subsist in the face of constantly advancing level of prices

—and despite the fact that as production increases the profits of the operators are proportionally greater for each ton of output. . . . We repudiate entirely, as I have pointed out in my opening statement, the principal of the increased cost of living as a basis for the adjustment of our demands—We therefore, ask the Commission to disregard entirely the principle of increased cost of living in fixing our wages, as we do not feel that the Commission should do us the injustice of perpetuating the deplorable conditions which existed before the war by adding the increased cost of living. . . .

125—DECISION—AUSTRALIAN COMMONWEALTH COURT— WATERSIDE WORKERS CASE (1914)¹

The case presented below deals with the question of establishing differentials in wages as between industries giving regular work and industries giving irregular work.

The decision states the argument by which differences in favor of workers employed irregularly is usually justified and indicates the danger that attends the practice.

. . . On the whole, and weighing all the circumstances, I think that with the evidence available, on a comparison with other industries, and on a moderate and conservative estimate, the minimum rate per hour should be fixed at such a sum as should generally assure for the worker a sum of 51s. per week, or 8s 6d per day

Then comes the much more difficult question, what is the hourly rate that should secure for the worker 8s per working day. . . ?

. . . Keeping my mind steadily on the average wharf labourer, who devotes his whole time to this industry, I have come to the conclusion that he usually gets under 30 hours (work) per week, taking slack and busy seasons together. . . I propose, therefore, to prescribe a minimum of 1s 9d. per hour. . . .

Evils of Casual Employment

The vital facts of the position are that the work is casual, uncertain, that the jobs are short, that the men have to wait at the wharves, and that the necessities of the man and his dependents are certain, continuous and incessant. Under existing circumstances, with the lack of organization among the employers as to the times for arrival and departure of vessels, and as to the employment of men, each employer naturally endeavors to have at his wharf as many men as he may require on his busiest days, and there is on nearly every day a surplus of

¹ *Waterside Workers Federation vs. Commonwealth Steamship Owners Association et al.* Commonwealth Arbitration Reports, Vol. 8 (1914). pages 71-5.

men seeking employment at most wharves. . . . Their service to the public is not confined to the actual physical exertion; they serve the public by waiting in readiness for ships to come. They are entitled at least, to food, clothes and shelter for themselves and their dependents during the whole time of this service. . . .

For the purposes of this award, I must take the itineraries of the ships as they now exist, and the system of casual employment and hourly rates as practiced. At the same time I strongly recommend the parties to the devising of a system of co-operation among the employers, such as will enable them at each port, to give full weekly work at weekly wages to the men who are willing to devote themselves to this industry. . . .

Effects of High Rates

It has been strenuously urged upon me by employers' representatives that with the hourly rates so high nominally, there are already too many men in the union, and that with any increase of rates there will be a further inrush. It is admitted at all sides that the employers in a port cannot be expected to provide the basic wage for all the men of the union in the port. The argument is only an *a priori* argument, there does not appear to have been any marked increase in the union as the result of the last increase of rates in Sydney. . . . But there is a good deal to be said for the view that newly-arrived immigrants would be likely to seek employment, at their port of entrance, in this unskilled industry, especially because of the high rates per hour. I have suggested that it might be well to provide that no more members be admitted without the consent of the employers, or of a board of reference at which the employers are duly represented. . . .

126—DECISIONS—BOARD OF REFEREES—CLEVELAND LADIES GARMENT INDUSTRY (1921 and 1922)¹

An original experiment has been under trial in the Cleveland Ladies Garment Industry, which has as its objects 1) the protection of the workers from too heavy a load of irregular employment 2) to encourage employers to make every effort to regularize employment.

Previous cases have illustrated the fact that industries furnishing only irregular employment are likely to be pressed to pay higher wage rates for different types of services than industries affording regular employment. Under the agreements in this industry, each employer must make an extra payment not directly in wages to the men, but into a guaranty fund out of which payment is made to the workers in case they do not receive a fixed

¹ Decisions of Board of Referees No. 3. (1921) and April 29, 1922, Cleveland Ladies Garment Industry.

minimum of employment each six months. The chance of regaining the sum paid into the guaranty fund is the reward held out to each employer if he manages to regularize his production. Under the agreement as revised for 1922, this incentive was increased by giving each employer an alternative method of guaranteeing employment, which held out the chance of a 10% reduction on wage rates, as contrasted with the previous possible saving of $7\frac{1}{2}\%$.

The sections of the two agreements dealing with these plans are printed below. They raise many questions of importance. Is the charge made upon the employer a just one? Is it a charge he would have to pay out in wages anyway if no such system was in force? Is there any way of being certain about that? Can the system hope to survive a prolonged period of depression? Is it within the employers' power to regularize the industry? Is it sufficient and reasonable protection for the workers?

As this may be the forerunner of other experiments of a similar kind, it is to be hoped that careful analysis will be made of the agreements and of the experience of the industry under them.

1921 DECISION

II. Continuity of Employment-Guaranty System

Since July, 1918 when the Board of Referees undertook its duties in Cleveland, two notable advances in the conditions in the industry have been made—(1) the establishment of a standard wage scale affecting all shops and all classes of workers—(2) the adoption of production standards now well on the way to installation. The next desirable step to be taken is to break up one of the vicious features of seasonal industry by providing for as much continuity of employment as is practicable. The manufacturers express their belief that a reduction in wages at this time will of itself greatly stimulate trade and insure to the workers a reasonable amount of continuity with its accompanying larger annual earnings. We believe that the reduction in wages decided upon will be of itself sufficient to tend toward this result, but we do not feel that this will be of itself sufficient or that the risk should be thrown entirely upon the workers. We, therefore, believe that the time has come when the regular workers in the industry are entitled to a guaranteed minimum period of work or compensation for the lack of it. Such guaranty is a proper and necessary burden on the industry, an obligation which the manufacturers of Cleveland have always recognized. It is all the more desirable and justified in this industry in Cleveland because the workers have for the past year contributed their full share, at heavy expense to the Union, to the creation and establishment of standards of production.

Under these circumstances we are of the opinion that the regular workers in each shop should be guaranteed twenty weeks of work in each half year and one week of vacation a year with pay. Failure to live up to the guaranty shall entitle the worker during the period in default to a sum equal to two-thirds his minimum weekly wage, with a limitation, however, of the employers' liability to $7\frac{1}{2}\%$ of his direct labor cost for the guaranty period.

The seasonal character of the industry we believe requires this division of the year into two periods of six months each. At this time we set the first six months period as June 1st to December 1st. For that period the guaranty will be twenty weeks of work. That is to say, if any regular workers in any shop who does not voluntarily leave or is not discharged for good cause, shall not be given opportunity to work for a period of at least twenty weeks between the 1st of June, 1921 and the 1st of December, 1921, then for so much time as shall represent the difference between the working time and such twenty weeks, there shall be paid to the worker for each week and pro rata for each part of the week, two-thirds of his minimum weekly wage, insofar as the fund in the shop as hereinabove limited will enable this to be done; regulations for some method of pro-rating between workers in the shop to be hereafter fixed as hereinafter provided Provision for a week's vacation with full minimum pay will be made under regulations to be established by the Impartial Chairman at the close of the first year under the guaranty system

Each employer shall establish a guaranty fund by depositing with the Impartial Chairman each week a sum equal to $7\frac{1}{2}\%$ of his direct labor payroll for the week or shall furnish to the Impartial Chairman security acceptable to him for the enforcement of the guaranty up to the limit of his liability All matters of detail in the pro-rating among employees and in the administration of the guaranty system shall be within the jurisdiction of the Impartial Chairman subject to the same rights of appeal as are provided for in the Agreement, and he shall have custody and control of any funds or securities deposited for the enforcement of the guaranty

1922 DECISION

We have given careful and prolonged consideration to the matters submitted to us, and have reached the conclusion that as a general proposition there should be no reduction from the May, 1921, scale of wages. In arriving at this decision we have had in mind all of the elements enumerated in the agreement as bearing upon the wage question, including the welfare of the industry as well as that of the individuals in it But we have felt at all times that the great difficulty in this industry is the seasonal character of the work The work scale itself can form no basis upon which the workers can adjust their standards of living The important fact is their annual earnings. The union leaders in this industry have been among the first to realize this and to urge its consideration by the Referees. The Referees have felt that in all their awards they must aim to create conditions which would tend to reduce the sea-

sonal character of the industry, to increase continuity of employment, and thus to give a larger yearly income from the industry to the workers

In December, 1920, we suggested the alternative of a lower wage with a guaranty of greater continuity of work, or a higher wage without that guaranty of continuity, giving the manufacturer his option. When we came to put the guaranty into effect in the May, 1921, award, we dropped the option feature at the request of both parties, fixed the lower wage and made the guaranty absolute. We believe at this time that a somewhat different option should be offered, one which in both alternatives will provide a guaranty fund for unemployment. For we believe that there should be no retrogression but a continuous progress in the effort to secure greater continuity of work and to create a guaranty fund to insure that continuity.

With all of these considerations in mind we therefore award a renewal of the old wage with the old guaranty provisions. We give the manufacturer, however, conditioned on a better guaranty, one more conducive to securing at least forty-one (41) weeks work, the option of a reduced wages¹. This optional award involves a ten per cent (10%) reduction from the May, 1921, scale, adjusted to the next higher twenty-five cents, if the weekly rate thus established should not be a multiple of twenty-five cents, coupled with a guaranty such as, in the judgment of the referees, would in all probability insure either forty-one (41) weeks of actual work or payment of forty-one weeks' work. The amount of the guaranty fund for each shop would be based by the Referees on past experience in that shop, this being used as a forecast of the probabilities for the coming season. Where the past year shows a considerable falling-off from forty-one (41) weeks' work, the guaranty fund would be so much higher. Where the past year shows an approach to forty-one weeks, or the reaching of or the exceeding of forty-one weeks, the guaranty fund would be less. But the guaranty fund payment in any case would have to be substantially more than the present guaranty weekly payment of $7\frac{1}{2}\%$ of the direct labor payroll, in those shops that want to avail themselves of the optional reduction; it would have to be even substantially more than the present guaranty plus the reduction itself, to accomplish the purpose of insuring so far as human foresight can judge, forty-one (41) weeks' continuity of work or pay.

And so we have reached the conclusion that in any shop availing itself of the optional reduced wage, no matter what its past history may have been, the minimum weekly guaranty fund payment should be twenty-five per cent of the actual direct labor wages instead of $7\frac{1}{2}\%$ as at present; further that for the unemployed time within the forty-one weeks the worker shall receive the full minimum instead of two-thirds of the minimum wage, provided the fund suffice therefor. To put the thing a little differently. We give to the manufacturer the option of continuing on the present basis both as to wages and as to the guaranty, or in exchange for the reduction to create a larger fund which so far as we can foresee will actually give forty-one (41) weeks, or the full minimum pay

¹ This alternative was eliminated in the agreement for 1923—the 10 per cent wage reduction for a 41-week guaranty being revoked. It failed of its purpose. For 1923 the general guaranty fund was raised from $7\frac{1}{2}\%$ to 10 per cent.

for the unemployed time within that forty-one (41) weeks, neither of which are actually secured to the workers in most shops under the present guaranty fund provision. While the new minimum guaranty fund in any shop is to be 25%, we fix no maximum; this is a matter to be determined by the Board of Referees promptly on application in each case, and the amount of the guaranty fund will be fixed in each case in which an application may be made, based upon past experience, and the probability of the 25% or whatever amount may be deemed necessary, really meeting the situation. We are ready to say now that where in the past year the full forty-one weeks has been attained, in those cases we will let the minimum of 25% be the maximum; but where that has not been the case, then, as it recedes from that we shall increase the guaranty percentage.

This optional award properly administered through the effective cooperation of the manufacturers, the workers and the Referees, should result in a reduction of the unit cost to the manufacturer who is in a position to avail himself of the option, in an increase in total production and an increase in the annual earnings of the workers.

As to the two other points that were submitted to us, we again hold as we have held once or twice before, that at the present time we shall make no change. Until more standards of production are introduced and we get more light from experience, no change of the differential between minimum and standard wage will be made, and as to the method of determining the average worker's standard in any shop as between men and women, the present practice will govern.

CHAPTER VII

THE PRINCIPLE OF WAGE ADJUSTMENT WITH REFERENCE TO PRODUCTION

There has always been a widely entertained opinion especially among employers that wages should be adjusted with reference to production. This opinion has been given expression in a variety of ways and in different systems of wage payments. Sometimes it is even argued that this is the only principle necessary to settle wage questions satisfactorily.

This last argument appears particularly in the literature of scientific management, based upon a definite line of reasoning. At the risk of doing injustice to details of particular wage plans the main course of this reasoning may be summarized. The employer, the argument runs, must know his labor cost per unit of product, and does know the maximum labor cost at which he will be able to dispose of his product at a fair profit. That fact must determine wage rates under either time- or piece-payment systems. But if workers, individual or group, will turn out more than the normal standard of production per hour, he can afford to pay wages or bonuses over the time minimum (if a time payment system is used) and if they increase their product under a piece-rate system their earnings will automatically increase (the employer may even be able to increase the piece-rate because of saving in overhead costs). Thus it is argued that this method of settling wages by reference to what the employer can afford to pay in unit labor costs, is a satisfactory policy in itself.

This statement of wage policy makes several assumptions which may be questioned, and are not accepted by trade unions. It may be pointed out that it tends to take selling prices and other expenses of production outside of labor costs, as fixed. It also assumes that the enterprise must stay in operation. But more important than its assumption is the fact that it gives no consideration to matters that usually must be considered in wage controversies. No matter how ingenious or elaborate a system may be devised for basing wages on individual or group production other

questions will demand attention, such as the cost of living, wage movements in other industries.

It comes about that no matter what theoretical claims are made for this principle, it is rarely accepted as the sole basis of a wage settlement. Somewhere in the course of wage negotiation the question of the basic rate or earnings—to be paid for an ordinary amount of effort or output—must be agreed upon. And in settling the basic rate, study must be, and is, given to facts outside of individual or group production and the employer's calculation of unit labor cost. The principal of the "adjustment of wages with reference to individual or group production" becomes merely an adjunct to wage policy, albeit an important one.¹

Whether applied by means of a simple system of payment by results, or by means of some form of premium or bonus system, it may help to secure increased individual production and to give the employer more definite advance knowledge of his labor production costs. But unless the workmen concerned are completely willing to subordinate all their claims to the employer's calculations, other principles will be needed to determine the wage rates to be paid. The problem of settling what basic wage is to be paid for an ordinary day's production will still remain.

The real question to be considered, therefore, is when and how can this principle be advantageously combined with other principles of wage settlement. As one element in a general policy it may be applied: 1) so as to result in the adjustment of individual wage rates or earnings to individual production—as in the various systems of payment by results; 2) so as to result in the adjustment of the wage rates or earnings of each and all the workers of a class in an enterprise or industry to the production of them all. These two methods may be combined in various ways.

The first method has already been touched upon. A large variety of systems of wage payments have been devised to put it into effect, many of them the subject of active controversy. To

¹ Ordinarily systems of wage-payments devised to apply this principle are linked up with the "supply and demand" theory of wages. The piece rate schedule established is usually calculated to result in earnings sufficiently above the "market" rate to encourage the extra production and effort secured. The extra payments tend to be calculated partly with reference to the extra production secured, partly with reference to the extra effort it is desired to evoke. The British Industrial Court (and occasionally other tribunals) have recognized that extra production and effort is ordinarily given under systems of payment by result. When establishing any scheme of piece rates it usually sets such rates as it believes will yield the average worker 25% more earnings than if he were employed under a time-payment system.

illustrate these systems adequately and to bring each under critical discussion would be a very extensive task. And while recognizing its great importance it is judged that there is no need to undertake it in this collection. For a voluminous, thorough and easily accessible literature already exists on this subject which illustrates these systems in far more detail than could be done here, and which adequately sets forth all their aspects. In examining that literature the question propounded above will present itself—with what other principles of wage settlement should it be combined in any attempt to formulate wage policy?

We can turn to the second method by which the principle of wage adjustment with reference to production may be applied—adjustment to the production of all workers of a class in an enterprise or industry. Some sporadic attempts to apply the principle this way can be found. Usually they have taken the form of establishing definitely by agreement a minimum standard of production to be given by each worker for the agreed upon standard time rate (a rate established by bargaining or by the use of some such principles as are presented in preceding chapters). Such, for example, is the minimum standard of production set for linotypers in the printing industry.

If and when such a standard of production is established it may be sound and practicable to adjust wages in that industry to changes in the established standard. For example, it might be agreed that the workers in the industry should accept a higher minimum standard of production rather than a general wage reduction (See Case No 130). Or to take another example it might be agreed that the minimum standard wage should be increased provided that the minimum standard of production was also increased.

But as far as my examination of the original material goes, there are few instances in which this principle has been systematically applied in this way. There probably have been many informal agreements of this character, however, from time to time in different industries.

If and when this principle is explicitly applied in this way the question of how much wages should be varied on the basis of any particular change in the minimum standard of production must remain a matter of compromise. The matters at issue will be how much will be saved in production costs, and how much of the saving should go to the workers.

Even when no definite minimum standard of production has been established in an industry it is entirely possible that this principle should be invoked in wage controversies. There are many instances of wage demands based on the claim that the workers concerned have been producing more than formerly, or that their productive efficiency has increased. (See Case No 130) A recent controversy over the wages of postmen may be given as an instance of this kind, the increased volume of mail handled per postman being one of the leading arguments put forward in favor of the demand for a wage increase. There have been also demands for wage reduction based on the claim that the production of the workers has fallen off.

The great difficulty in passing judgment upon cases of this type is that in modern industry it is far from easy to establish the causes of any change in the production or productive efficiency of any grade of workers—even if the change itself can be established. The technique of industry changes often, many different crafts are usually employed upon the same product. Managerial methods change. Workers and employers are apt to assign a different reason to changes in production. Yet that is not sufficient reason for not considering the use of this principle in demands of this type—to the extent that the facts can be ascertained. Other considerations can be and should be taken into account at the same time. Even if the fact and principle is admitted, the amount of the wage change to be made on the basis of a given change of production remains a matter of judgment, not of fixed rule.

II

In recent years some currency has been given to still another variation of the principle of wage adjustment by reference to production, different from these discussed above.¹ That variation calls for the adjustment of all wages by reference to *the total product of all industry*. Its origin may be traced to recent statistical studies the results of which tended to show: 1) that real wages have not been increasing since 1890, and, 2) that a smaller percentage of the total product of industry (measured in terms of income) has been taking the form of wages in recent years as compared with previous periods. Some doubt still re-

¹ See Supplementary Note D—"Upon the Relation between National Production and Wages," page 399 *Supra*.

mains as to the significance of the statistical results shown—the subject requires still further study and improvement in our statistical records. Some doubt also remains as to the cause of this trend, if it is so.

This variation of the principle, as far as the editor's knowledge extends, has not yet been made the basis of wage settlement in any industry. It has been defended as the proper basis of settlement in briefs prepared by the trade unions in certain recent controversies, and as the resolution printed below (Case No 133) shows, it has gained a certain measure of support among the trade unions.

The form given to it as a concrete principle has usually been as follows: that wages should be adjusted according to the percentage movements in the index number of per capita production within the country. Real wages not money wages are meant (or in other words it is also assumed that there will be adjustments of money wages to price changes); and the index number is to be one measuring not the production of money values, but the production of goods and services.

It is desired to bring this principle before the reader rather than attempt to pass judgment upon it. It is evidently regarded as a principle the acceptance of which would protect the wage earners as a whole from receiving a declining share in the product of industry—no matter what changes take place in industrial technique.

A full critical analysis of this principle would require a separate essay such as cannot be undertaken here. It would cover the following points—(1) The suitability of the statistical material required for the use of the principle. (2) The accuracy of the best statistical results it could be hoped to retain. (3) The forces governing changes in the sharing out of the product. (4) The chances of influencing the sharing out process by the use of this principle. (5) The adaptation of this principle to concrete situations in concrete industries at concrete times. (6) The question of what other principles are compatible with its use, and what other principles are not. (7) In the event it is used in combination with such other principles as that of the "condition of industry" and that of "cost of living," which should be given greater weight in case each of the several principles suggest different conclusions?

Since the use of this principle has not progressed beyond the theoretical stage, the subject may be left for the present with the above summary of the problems it raises—in view of the scope of this collection. Further theoretical analysis is desirable however, and the reader is referred in the bibliography to such general literature as bears upon the topic.

127—AGREEMENT—SILK RIBBON INDUSTRY—NEW YORK (1920)¹

128—AGREEMENT—HAT AND CAP INDUSTRY—NEW YORK (1922)²

129—AGREEMENT—LADIES GARMENT INDUSTRY—CLEVELAND (1922)³

These agreements are given as examples of attempts to set up a minimum standard of production applicable to all workers in three industries in which the problem of securing satisfactory production has always been most acute—owing partly to their seasonal character.

The first of these agreements—that in the silk ribbon industry—was given up before standards of production were successfully elaborated.

The third, that in the Cleveland Garment Industry, it will be seen, provided not only for the establishment of a general minimum standard of production but also for the variation of individual earnings with individual production

These agreements, in themselves do not provide that wages should or may be varied with the standards of production established, but since those standards are made definite, such a policy might be feasible

127—AGREEMENT—SILK RIBBON INDUSTRY—NEW YORK (1920)

Sec 7. *Compensation of weavers.*—The impartial chairman after a thorough investigation and study shall make a full and complete report

¹ "Trade Agreement in the Silk Ribbon Industry of New York" MARGARET GADSBY *Bulletin No 341 U S Bureau of Labor Statistics* pages 61 *et seq*

² Agreement, Hat and Cap Industry—New York City *U. S. Monthly Labor Review*, September, 1922. page 138

³ Agreement Cleveland Ladies Garment Industry *U S. Monthly Labor Review*, July, 1922. page 104

and issue rulings if found advisable to the basis and amount of compensation to be paid to weavers. Any such rulings of the impartial chairman in regard to compensation of weavers must provide for deductions of pay for any failure to accomplish fair production on the part of the individual weaver. Any such ruling or regulation shall be based upon the production records of the employers and such social and other conditions and facts as the impartial chairman may consider elements in the situation. No ruling relating to the basis of compensation of weavers shall be ordered by the impartial chairman which permits decreased production, or fails to guarantee fair production, and any ruling which results in decreased production shall be immediately revoked and rectified.

Within one month of the time when the impartial chairman will take office, he shall issue a preliminary report in connection with this matter and shall set forth such facts as he may find desirable.

The final report when issued shall set the date when change, if any, in the basis or amount of compensation shall become effective. It is understood that any such ruling shall be made effective as speedily as possible, but must allow ample time for necessary changes in system, if any, which the rulings of the impartial chairman may make necessary. The impartial chairman, for the purposes of this inquiry and in any other matters that may come before him, shall have full and free access to the production records of the employers and the records of the unions and may, subject to limitations which might be imposed by the trade council, retain additional persons to assist him. Every wage scale shall be accompanied by a scale of production and shall not be increased or decreased during the manufacturing season of the individual employers, it being understood that this provision shall not apply to new articles which shall be introduced during a manufacturing season. The impartial chairman is to immediately consider and issue rulings on the standardization and uniformity of the number and bases of ratings, taking into consideration the quality and kinds of goods produced in the individual shop and any other factors which may bear on the question.

128—AGREEMENT—HAT AND CAP INDUSTRY—NEW YORK (1922)

VIII. Standards of Production

(a) Immediately upon the signing of this agreement, arrangements shall be made by the union and the association to continue the negotiations that have been going on immediately preceding the signing of this agreement for the establishment of a reasonable and uniform standard of production in the trade.

(b) Both sides pledge themselves to make every effort in order to complete the negotiations and arrive at a mutually satisfactory understanding on the question of standards of production, as soon as possible.

(c) In case the union and the association shall fail to come to an understanding on the question of standards of production by the end of three months from the date of the signing of this agreement, the ques-

tion shall immediately be submitted to arbitration, both sides binding themselves to abide by the decision of the arbitrator, such decision to become an integral part of this agreement.. .

129—AGREEMENT—LADIES GARMENT INDUSTRY— CLEVELAND (1922)

VI The principle of week work is reaffirmed In accordance with the agreement heretofore entered into by the association and the union the wage paid thereunder shall have due regard to the productive value of the individual worker based on fair and accurate standards, which standards shall be under the joint control of the association and the union and subject to review by the referees. Such production standards shall be installed in all shops and departments as soon as the individual manufacturer is prepared for the installation Until July 1, 1922, departments and shops not upon standards shall continue the wage plan now in effect in the individual departments After that date each manufacturer signatory to this agreement shall adopt either production standards or straight week work in all departments of his shop unless otherwise ordered by the board of referees or their representative Such week work wage shall be based upon the productive ability of each worker, and not less than the minimum shall be paid .

Supplementary Agreement Relative to Production Standards

This supplementary agreement between the board of referees, the International Ladies' Garment Workers' Union, its various locals, and the Cleveland Garment Manufacturers' Association on behalf of its members, is entered into in accordance with the provisions of Article VI of the continuing agreement effective January 1, 1922

It is understood and agreed that the provisions of this supplementary agreement are to cover and affect departments and workers only as they are transferred to the "Plan B" method of wage payment

I. *Plan B*—Plan B provides for a weekly minimum guaranteed wage for each worker and an additional wage depending upon his or her production measured by standards based upon time studies Such standards shall be fair and accurate and shall be based upon the producing ability of the average worker on a basic scale of 10 per cent above the minimum rate fixed by the referees. The standards shall be under the joint control of the union and the association subject to supervision of the referees

II. *Present employees*—Recognizing the fact that the introduction of standards is in cooperation with the workers, no worker now employed shall be discharged as a direct result of the installation of standards. It is understood, however, that this does not limit the right of the employer to reorganize his forces in accordance with the principles already laid down by the referees or to discharge for just cause

III *Committee on standards*—The engineer in charge, employed jointly, shall be ex-officio chairman of a joint committee on standards.

composed of five members named by the union and five by the manufacturers' association. This committee shall have the duty and responsibility of installing and administering the wage standards subject to this memorandum of agreement and such other regulations as may be from time to time adopted jointly by the union and the association with the approval of the referees.

IV. *Shop committees.*—There shall be a committee on standards to be named by the union in every department of a shop. This committee on behalf of the workers may approve or disapprove the standards submitted to it. In case any standard is protested by either this committee or by the management, the time-study man shall review his standard. In case it is still protested, the matter shall be referred to the engineer in charge of the joint bureau for settlement. The engineer, together with the managers of the union and association may decide if a new check study is to be taken.

V. *Accumulation of standards.*—Every worker in a given department may be studied in accumulating elemental times for standards, and slow as well as fast workers are to be studied. The engineer in charge shall be responsible for the accumulation of elements and the determination of standards. All errors in standards shall be rectified upon protest of either workers or management and retroactive adjustment made. Standards shall be set on each garment at the earliest possible time and not more than one pay day shall elapse with standards unset on any garment in production.

VI. *Posting and accounting.*—The standard time for each garment or part shall be posted in the shop as soon as it has been set and approved by both sides. Each shop shall maintain a simple method of accounting for idle time and work done, so that each worker may be able to keep a record of his own earnings.

VII. *Unit of measurement.*—The unit of measurement shall be the production of a worker of average skill at normal speed for a week of 44 hours. Such a week's production shall constitute 2,640 points.

VIII. *Allowances.*—A percentage allowance for personal needs and fatigue shall be added to each standard which allowance shall be set by the engineer in charge. An allowance for unavoidable delays shall be determined for each shop by the engineer. Until these allowances are determined, the same allowance now used in the pressing department shall govern.

IX. *Idle time.*—When a worker is called to work it shall be for not less than a day's work. For idle time spent in the factory more than 10 minutes he shall be paid at the rate of the minimum and such idle time not paid for shall not exceed 30 minutes in any one day.

X. *Subnormal workers.*—A preferential rate may be provided jointly by agreement between the union and the association for subnormal workers.

XI. *Week work.*—Workers taken from standards and given day work or week work shall be paid in the following manner in those shops where standards are set upon men:

Efficiency of each worker shall be figured from his production. His efficiency shall be taken at the end of the first eight weeks worked and

thereafter at the end of each season. The workers shall be grouped in classes and the workers coming within each group shall be paid for week work at the efficiency percentage shown in the table below:

Men

Between—	More than men's minimum
90 and 99.9 per cent.....per cent..	5
100 and 108.9 per cent.....do ..	10
109 and 117.9 per cent.....do ..	14
118 and 124.9 per cent.....do ..	18
125 and 130.9 per cent.....do....	25
131 and 135.9 per cent.....do....	30
136 and 140.9 per cent ....do ..	35
141 per cent and up .....do..	40

Women

Between—	More than women's minimum
57 and 63.9 per cent.....	
64 and 71.9 per cent.....per cent .	8
72 and 81.9 per cent .....do ...	20
82 and 90.9 per cent .....do .	36
91 and 99.9 per cent .....do	68
100 and 108.9 per cent . ....do..	76
109 and 117.9 per cent....do .	82
118 and 124.9 per cent.....do..	88
125 and 130.9 per cent. ....do	100
131 and 135.9 per cent. ....do....	108
136 and 140.9 per cent .....do .	116
141 per cent and up .. ....do ...	124

In those shops where standards are set upon women, the following table shall apply

Between—	More than women's minimum
90 and 99.9 per cent. ....per cent..	5
100 and 108.9 per cent .....do....	10
109 and 117.9 per cent.....do....	14
118 and 124.9 per cent .....do....	18
125 per cent and up.. ....do....	25

130—DECISION—FANCY LEATHER GOODS WORKERS—NEW YORK (1921)¹

This decision provides for the variation of time wages according to the production given. It rests, it will be observed, merely upon the impartial arbitrator's judgment and not upon any fixed standard of a fair days work.

In addition to this award, the arbitrator is of the opinion that there ought to be some increase in production. The lack of records, however, makes it impossible to say how much this should be. Lack of records also makes it impossible to say for what part of the increased production would additional pay be justified. All that the arbitrator can do under the circumstances is to order in general terms that production must be increased. Details should be worked out by people permanently connected with the industry, such as the arbitration committee, the impartial chairman, and the production committees.

These should set to work immediately to install a method of measuring increases or decrease in production. If this is done and by January 1, 1922, the arbitration committee or the impartial chairman find on investigation that production has not improved any or has decreased, a decrease of 5 per cent in all wage rates shall be ordered. If, on the other hand, the records and investigation on or about January 1, 1922, show an increase in production large enough to justify increased wages, then the arbitration committee or the impartial chairman shall order such wage increases as may be justified by the production given.

131—ARBITRATION—WESTERN ENGINEERS (1915)²132—ARBITRATION—EASTERN CONDUCTORS (1913)³

The following extracts from workers and railroad's briefs in an important railroad arbitration illustrate a controversy over a wage demand based upon an alleged increase in the productive efficiency of the workers concerned.

This claim figured importantly in many of the pre-war railroad arbitration cases. Ordinarily the arbitration boards have tended to take the view that it was impossible to know whether

¹ Decisions Impartial Chairman, Leather Goods Industry, *U. S. Monthly Labor Review*, 1921, page 115.

² Arbitration between Western Railroads and Brotherhood of Locomotive Engineers *et al* (1915) Vol 9 Proceedings—Brief on behalf of workers, pages 73-9; Brief on behalf of Railroads, pages 4-6.

³ Arbitration Award. Eastern Railroads *vs.* Order of Railway Conductors, *etc.* (1913), pages 21-22.

the increased productivity was to be attributed to the workers or not—and passed over the matter except when it was shown that the workers were called upon for increased exertion or undertook increased responsibility.

The second decision printed from another railroad arbitration illustrates this tendency to take heed of a change in the character of the work performed—rather than any change in productive efficiency.

131—WESTERN ENGINEERS CASE

Brief on Behalf of Workers

During recent years the Western Railroads have made extraordinary gains in operating efficiency. By the installation of locomotives of greater tractive power and cars of greater capacity, by the addition of a greater number of cars to freight and passenger trains, by the elimination of curves and the reduction of grades, and also by the strengthening of roadbed and structures, remarkable increases in freight train loads have been accomplished, and it has been possible to move a constantly increasing volume of traffic, or of ton and passenger miles, with a comparatively small increase in locomotive or train miles. These developments have been attended by a three-fold effect upon Engineers and Firemen.

(1) There has been a marked increase in their labors and responsibilities. . . .

(2) The Productive Efficiency of Engineers and Firemen, or in other words, the volume of traffic handled per Engineer and Fireman has been greatly increased. This is apparent from a comparison of the number of ton-miles or traffic units transported by Engine Crews at the present time as confronted with former years. Measured on the basis of each \$1,000 compensation paid Engineers and Firemen the freight engineers on twenty-four representative Western Railroads considered as one system, in 1913 handled 92 per cent more ton miles than in 1890, and the Freight Firemen, for each \$1,000 paid them, transported 83% more freight traffic in 1913 than in the year 1890. Considering both freight and passenger traffic together, the Engineers and Firemen employed by these representative Western Railroads, on a very conservative basis of calculation, which grants every advantage to the Railroads, for each \$1,000 paid, hauled a volume of combined freight and passenger traffic from 40% to 50% greater in 1913 than in 1890. . . .

(3) The increased productivity has been attended by a decrease in cost to the Railroads, in terms of wage-payments to Engineers and Firemen for each unit of traffic handled, or in other words, it has cost the railroads less in outlay to Engineers and Firemen to transport ton-miles and passenger miles. . .

BRIEF ON BEHALF OF THE RAILROADS

We do not wish to be understood as assenting for one moment to Mr. Lauck's claim concerning the unit of the productivity of engineers and firemen.

Engineers and firemen have nothing to do with revenue; they are employed to run engines and produce engine miles, which are units of expense to the company and units of compensation to the engineers and firemen. They do not produce revenue-miles or ton-miles, and over the question whether their engines haul a large or small number of tons, or produce a large or small amount of revenue, they have no control and no opportunity to affect results.

The number of tons of freight per loaded car, or the number of cars, or tons, per train can in no manner be affected by any duties performed by the engineer and firemen. The railroads provide the equipment; traffic officials endeavor to provide traffic; operating officials bring about better car and train loading; and constant effort is made to reduce empty car movement. All of these efforts are to bring about greater efficiency and economy and to these efforts the duties of engineers and firemen can make no contribution. Their duties and responsibilities have no relation to whether cars are loaded or empty, whether revenue or non-revenue; and obviously they can make no contribution to efficient car loading, or train loading, or to the revenue produced thereby.

The number of cars which shall constitute a train is a matter over which enginemen have no control. The train-dispatcher and other officers of the company determine the number of cars and the train load. Improvement in plant and facilities, reduction of grades and curves, better roadbed and machinery are the underlying essentials which capital must contribute before either operating skill or efficient labor can produce tangible improvement in productive efficiency. . . .

132—EASTERN CONDUCTORS AWARD

Increased Productivity of Train Crew

The men claim that the increased productivity of a train crew when caring for larger trains and heavier loads than formerly is self evident; and especially this is so when one train crew is used against more than one engine, the engines thus being often of the largest size . . .

The men point out that when a train is double-headed the railroads are obliged to pay two engineers and two firemen; and that the roads make a saving by this process simply because by doubling the motive power they save employing one train crew. When three or four and five locomotives are used on the same train the men argue that the productivity of the train crew is correspondingly increased; and that, therefore, some portion of this saving should by right be given to the train crew, which is thus called upon to care for abnormally heavy trains.

The railroads ignore the argument based upon increased productivity of a train crew as a basis for increase of wages as having no place in the present problem; because they believe that any such increased productivity, whatever it may be, was met as it accrued in the wages fixed in 1910. They submit the table (Exhibit 44) to show that conductors and Trainmen receive more now per traffic unit than they did formerly.

FINDING AS TO INCREASED PRODUCTIVITY IN THE TRAIN CREW

It is the prevailing opinion of the Board that the extra productivity of the train comes from the increased number of engines, in connection with each of which an engine crew is paid for, and not to any measurable extent from any contribution to extra productivity by the train crew itself. The Board has already made it clear that in its judgement, this method of operation does not devolve upon the train crew ordinarily, any increase of risk or any increase of labor under modern conditions though the Board does recognize some increase of responsibility. In one field and in one field only, does the Board believe that this method of operation by itself justifies an increase of wages. In Mine Service, in some places in which a train is drawn by two engines, a train crew is sometimes broken up in order that each half of the crew may serve each engine separately. In such service the prevailing opinion of the Board is that the train crew, as distinguished from the engine crews, does contribute to the increased productivity of the train, and the Board has had this reason in mind in transferring Mine Service, in the matter of pay, from the basis of Through Freight Service to the basis of the local freight service, which is higher.

133—RESOLUTION—METAL TRADES DEPARTMENT—AMERICAN FEDERATION OF LABOR (1923)¹

This resolution represents the attempt to formulate a principle by which wages would be regulated in accordance with the productivity of industry in general (as one principle in a complex general policy). The ideas behind this attempt are discussed in the general introduction to this section.

When the bill referred to in the resolution was presented to the House Committee on Labor it was defended in a special report on the relation between wages and production, which sets forth the theoretical conceptions and the statistical data by which this principle is supported. This report is reprinted in part as Supplementary Note D.

¹ Resolution No. 8 presented to Fifteenth Annual Conference—Metal Trades Department—American Federation of Labor (1923).

BOARD OF ADJUSTMENT AND APPEALS FOR
EMPLOYEES OF NAVY YARDS AND ARSENALS

Whereas, A sound basis for the determination of wages is fundamental not only to labor but to society as a whole; and

Whereas, There was introduced in the 67th Congress a bill (H.R. 11956) "to create a board of adjustment which shall constitute a wage board and board of appeals for employees of navy yards and arsenals, and to define its powers and duties"; and

Whereas, Under the provisions of the above mentioned bill the following relevant factors would be considered in the determination of wage rates:

- a) The maintenance of a standard of living for the worker and his family which will insure health and decency;
- b) The relation between wages and the cost of living,
- c) The average change in per capital productivity of manufacturing industries in the United States over a period covering the preceding ten years;
- d) The progress made in per capita production in manufactures in the United States since 1900 which has not already been reflected in increased wages;
- e) The training and skill required;
- f) The degree of responsibility; and
- g) Inequalities of increases in wages or of treatment the result of previous wage orders or adjustments,

Whereas, We believe that the principles of wage determination as set forth in the Bill H.R. 11956 would in their application to the employees at the Federal Navy Yards and arsenals constitute an improvement over any method yet tried and if put into effect would furnish a practical experiment from which a constructive policy could be formulated—we place ourselves on record as favoring the enactment by Congress of legislation similar to that proposed in H.R. 11956 introduced in the 67th Congress. . .

SUPPLEMENTARY NOTE A—UPON "SUPPLY AND DEMAND" AS A PRINCIPLE OF WAGE SETTLEMENT.

At first inspection it may possibly appear curious that this collection does not contain a section specifically devoted to cases settled according to the (so called) principle of "supply and demand." After a search through the literature of wage disputes, one of the outstanding impressions I am left with is how seldom any effort has been made to give any precise definition to that principle and that expression, or to point out what settlement would be dictated by it in any controversy. The mist of confusion which is about the phrase in general economic literature is doubly thick in the literature of wage disputes. The phrase and principle are apt to represent any man's opinion of what the wage ought to be.

Any definition of the substance of the principle is perforce open to criticism as a misstatement for the above reason. As far as I have been able to find any precision in the principle it would seem to indicate the following as a policy of wage settlement: that in any dispute the wages established should be just sufficient to enable the employer to go out and replace his present workers with workers of equal ability and service to him, hired individually. Thus stated the principle appears to be a plain and workable one. Why is it that we do not find it applied widely by arbitration tribunals and the like?

The first and obvious reason is that unless the employer makes the attempt, there is no way of knowing certainly just what this wage should be. Records of previous labor turnover might not fit the situation at the time of dispute. The men entering an industry paying a given wage may be men of different abilities than those quitting it. If the controversy concerns only a minor section of an industry, guidance may be secured by ascertaining the wages paid by the rest of the industry—a method or principle illustrated in Chapter I. If the whole of an industry is involved comparisons may be made with wages for similar work in other industries—a method or principle illustrated in Chapter VI. But neither of these would produce cer-

tainty, and the process of comparison often is complicated by practical difficulties

But that it not the chief reason why this principle has not often been expounded as a policy of "wage settlement" of and by itself. The chief reason is that the principle does not meet the expectations of the present-day industrial world in regard to the matters that should be taken into account in deciding a wage controversy. Workers, employers, the interested public are propounding other questions. Is the wage enough to live on decently compared to current standards of working class life? Can the industry afford to pay more and maintain its strength? Must the wage be reduced in order to aid the industry out of a passing depression? etc. etc. Current opinion is inquiring into these matters and others that seem to it pertinent, and is not satisfied to know merely how much must be paid to hire the men standing outside the factory gate, or employed in another industry. And the principles used in the settlement of wage disputes must represent the effort to find an answer to the questions most constantly asked, if they are to be satisfactory. If public interests insistently introduce ethical or semi-ethical considerations into the issues at dispute, if workers believe the methods of production may be improved, for example, some measure of attention must be given to considerations such as these. That is the chief reason why the principle of "supply and demand" stated as a policy of wage settlement is found to lack the requirements of a satisfactory policy.

There is yet another reason. There has been growing distrust of the finality of the theories of distribution presented in general economic literature; an opinion has taken root that since they were built upon assumption of an economic society of static elements and static human relations, they did not altogether lead to correct conclusions as to what changes in distribution may be achieved in an industrial society in which technique and human relationships were constantly changing, and in which there was a constant clash of wills over those changes. There has been a growing sentiment and hope, therefore, that the results of the operation of economic motives and conflicts could be modified according to social or ethical ideals.

For those reasons, it is seldom that this principle, as above defined at all events, has been explicitly and avowedly made

the sole or determining consideration in the settlement of wage controversies. On the other hand there can be no doubt that the facts of "supply and demand" as they are roughly known to employers, workmen and arbitrators in every controversy, often exert a powerful influence over the settlements reached, no matter on what principles the settlements are ostensibly based or subsequently explained.

It is sometimes argued that to use any other but the "supply and demand" principle to settle wages, is to settle them on an unsound basis because that principle alone recognizes and gives due importance to the economic forces which must and should govern wages. To the extent that the preceding definition of principle is correct, it can be said on the contrary that to use the principle is to commit this mistake. There is undoubtedly a constant need for taking account of all important economic facts and tendencies entering into a wage situation, if the policy pursued is to be sound. But the necessary study of economic facts and tendencies need not be reduced merely to an estimate of the wage which would be determined by the bargaining of individual employers and workmen. That policy is unsatisfactory because, to put the matter differently, it leads to an arbitrary selection of the economic facts and tendencies to be taken into account, and assumes implicitly that it is desirable not to try to modify the course of economic events by intrusion of purposes designed to modify them. Labor organizations are quite sound in their argument that their existence is just as much an economic fact as any other (and that their collective bargaining power must be taken into account), to take an example of the type of fact not admitted under the plain "supply and demand" principle. Or to take another example of the same sort, the social willingness to take that risk of creating a higher price level by raising wages to a computed living wage level is just as much an economic fact as the possible or predictable effect upon export trade. Or again, the effect of the wage policy pursued both upon industrial morale and consumers demand may be considered a pertinent economic consideration in itself—such as would receive no consideration under the plain "supply and demand" principle.

The "supply and demand" principle is supposed to furnish a clear indication of what wages must inevitably be as the net outcome of the action of economic forces working in and through

our economic arrangements. On the contrary, it can only indicate (and that not too clearly) what wages would be if certain important existing economic forces and purposes were non-existent, and if all changes in our economic arrangements and methods were inconceivable and undesirable.

The question to be faced in the selection of principles for use in the settlement of wage controversies is not, of course, should weight be given to the economic facts and tendencies which enter into these controversies? It is rather, what are all the economic facts and tendencies bearing upon these controversies, and what weight is it sound and just (considering prevailing views of social justice) to give to each? The plain supply and demand principle does not offer a satisfactory reply to that question. Some of the principles discussed in previous chapters do indicate the possibility of making a satisfactory reply, it is believed. They at least represent the various direct approaches to the facts that may be made.

By now, it may be added by way of conclusion, both the phrase and principle of "supply and demand" are identified with confused and partisan efforts to settle wage controversies on the basis of inadequate economic data and over-dogmatic economic conviction. They seem to lead men badly, to furnish a barren approach to the solution of wage difficulties. Industrial communities desire today to try to direct in a measure the results of their industrial organization. They are not content merely to inquire into the supply and demand situation for a given group of workmen and then to seek to establish a wage in correspondence with it.

The two following cases are printed as illustrations of attempts to apply the "supply and demand" principle as it has been defined in this note. In the first case the principle is formulated as a more satisfactory alternative than the principles presented in previous chapters. In the decision in the second case it is used only as an auxiliary principle (the whole case is not reprinted) and the practical difficulties which stand in the way of its application are pointed out.

134—REPORT OF BOARD—CANADIAN PACIFIC RAILWAY
COMPANY DISPUTE—CANADA (1914)¹

This case illustrates the use of the "supply and demand" principle as presented in the preceding note.

MAJORITY REPORT

These claims are for: (1) a very large increase in the wages paid to all of them; . . . Wages ought to be such as are a reasonable compensation for the services rendered; I speak of course in a general sense. There may be special reasons for fixing more and for accepting less. But in such a case as this that which is just is only to be considered. Neither employee nor employer is asking favours from the other.

There is no difficulty in stating what is the true measure of wages; it is that which I have stated, compensation; the difficulty lies in the proof of the value of the services. One test, and ordinarily speaking the best test, is, in such a case as this. For what sum could the employer have the work as well performed by others as it is by those seeking higher wages, what would it cost to fill their places as well, for the employers' purposes, as such places are now filled?

Upon this question the claimants have not given any evidence, but have based their contentions mainly upon these grounds: (1) increased cost of living; (2) the need and the advantage of having experienced good men in their positions; (3) the risks which they run, (4) the fact that this Company has always paid the highest rates of wages, and (5) that they seem to be able, financially, to pay increased wages.

These all are, of course, things to be taken into consideration in endeavouring to find a true answer to the question: What is the true value of the services rendered? But I cannot think that it can be reasonably contended that anyone, speaking generally again, is entitled to demand any more than others, equally capable and willing, are ready to do the same work for. And that is a rule which, as it seems to me, applies to all employees, from general manager to labourer, and to all classes of work, whether on the Bench, in the countinghouse, or elsewhere.

It has not been denied that the Company's terms were fair, if not liberal, better generally speaking than these prevailing on other railways; but it was contended that notwithstanding all this, the time had come for increased wages because of the increase in the cost of living . . .

Starting then on the basis of the agreement of 1911, when all such things as the character of the work done, and of the character of the men doing it, were of course urged and taken into consideration, the one ground upon which this claim for higher wages can be rested is the increased cost of living, as it affects these claimants. That, as I have said, is a very reasonable ground for the making of such a claim; but it does

¹ Report of Board in Dispute between the Canadian Pacific Railway Co., and its Maintenance of Way Employees. *The Canadian Labour Gazette*, February, 1914 pages 902-13.

not follow from that that the wages of all of us, who are all wage earners, whether our pay is spoken of as a salary or as wages, should increase in proportion automatically. It is but one, though an important one of many things which must have weight, more or less, in considering what sum is a reasonable compensation for the services rendered. What are their real money value; and that, as I have already said, is best ascertained in a true answer to the question: For what sum can the man who pays for them get them performed? If the pay of all of us were automatically increased in proportion to our increased cost of living, it would be difficult to keep down the cost of living; and if pay increased accordingly it ought to decrease accordingly .

135—ARBITRATION—BOSTON ELEVATED RAILWAY COMPANY (1914)¹

This extract illustrates the use of the "supply and demand" principle as an auxiliary principle, used by the arbitrators to help them judge whether the wages paid by the enterprise involved in the dispute were sufficient to enable it to attract the required force of employees—a question judged by it to be pertinent when setting a fair wage. The board explicitly states that while this information should be taken into account, it could not be considered as conclusive as regards the justice of the wage.

Argument That Company Can Secure Plenty of Men at Present Wage Scale

(1) The Company set up as its first argument bearing upon the question of wages that it can secure plenty of men at its present scale of wages, and therefore should not be obliged to advance wages.

The evidence does seem to show that the Company can ordinarily secure plenty of men at its present wage scale. The line of evidence is important, and, we think, should be given weight.

Plenty of Men Argument Applied to Motormen and Conductors

So far as motormen and conductors are concerned we think this line of evidence has less weight than when applied to other employees.

Present Wage Scale Does Not Hold Blue-Uniform Men

The record does show that the Company can secure plenty of blue-uniform men, but the record also shows that at the present wage scale the Company cannot hold them in its employ. The number of

¹ Report of Board of Arbitration in Controversy between Boston Elevated Railway Company and Boston Carmen's Union. Division 589. (1914)

blue-uniform men August 1, 1913, was 5,034. The number of new blue-uniform men taken into the Company's employ during the 12 months of the fiscal year ending June 30, 1913, was 2,005; during the preceding fiscal year 6,551; during the fiscal year 1910-11, 2,532; during the nine months 1909-10, 1,159; and the fiscal year 1908-09, 2,022. If we disregard the number of appointees during the fiscal year of 1911-12 when the number was undoubtedly affected by the strike, we find that the Company is losing every 12 months about 40 per cent of its blue-uniform men. This shows that on the average the Company is at the present time obliged to renew its entire car operating force every $2\frac{1}{2}$ years. No doubt it keeps some men longer. The evidence shows this. But, if so, it must replace other men oftener.

Duty of Company to Operate Cars With Experienced Men

It may perhaps be urged that this is of no concern to any one, provided the Company can replace with a new man each dissatisfied man who leaves. But we can hardly accept this view, at least for a Company operating the large heavy modern cars with their powerful motors and high rates of speed through congested city streets . . .

Collective Bargaining

There is another consideration which seems to us to bear upon this subject and to apply both to the blue-uniform and the other employees of the Company. The men have a right to organize, they have a right to strike as a body. There may be a lingering few who still doubt the right of men in any employment to organize, and if working conditions are not reasonably satisfactory and no redress can be obtained, to strike, but the principle is too well settled to need discussion by this Board. A strike is much to be regretted, not lightly to be undertaken, and unquestionably to be condemned if it is unnecessarily ordered. If the men have a right to strike, what does it mean? It means that the men have a right to ascertain not merely whether the Company can replace the men who normally from week to week drop out of the service, but also to test the question whether if they all leave the service at the same time, the Company can within a reasonable length of time replace them. Now, if instead of striking, the men agree to arbitrate, it is not fair to take wholly out of consideration whether the Company is paying such a wage scale as would enable it to replace within a reasonable length of time its employees who are members of the Union if they struck. Obviously, this is a difficult question and a question which could only be determined with certainty by having a strike and awaiting the outcome, but it is not in the interest of the men, of the Company, or of the Community to settle the question in this way. In our judgment, the ease with which the Company is securing from day to day employees at the existing wage scale to replace the normal vacancies is a factor to be carefully weighed, but it does not wholly determine the question, especially in the case of motormen and conductors.

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SUPPLEMENTARY NOTE B—UPON THE DIFFERENT ALTERNATIVE
PRINCIPLES WHICH MAY BE USED TO FIX THE RELATION-
SHIP BETWEEN MEN'S WAGES AND WOMEN'S WAGES.

When both men and women are employed in the same industry the problem of wage settlement in that industry is apt to be complicated by that fact. That is due to the existence of a wage level for women (or connected series of levels) different from the wage level (or series of such) for men. The explanation of this difference is complicated and the subject of much controversy. It would require too much space to attempt an independent investigation and would take us afield into the general theory of distribution. References are given in the bibliography to some of the more important studies of the subject. Though the explanation of the wage differences between men and women is in dispute—the fact itself is not, and it must be considered in any study of the principles of wage settlement.

As a matter of fact, the question of the relation of men and women's wages either in particular industries or industry in general has received very little attention in American wage decisions. It is, therefore, impossible to put before the reader any collection of cases which will adequately illustrate the various principles which have been suggested or used to determine that relationship. The reason is simple. The trade union movement has not grown much among women workers. Their wages are settled by individual bargaining, except in a relatively few industries. Therefore their wages have rarely been the subject for consideration by industrial tribunals, arbitration boards and the like, and only very scattering efforts have been made to formulate principles applying especially to this question of women's wages as compared with men's wages. The establishment of that relationship has been left almost entirely to the free action of economic forces (tempered in some states by the minimum wage laws).

No attempt will be made in this introduction to work out and present to the reader any single policy judged to be suitable for

settling the problems created by this difference between the level of men's wages and women's wages. But the possible alternative principles may be summarized in lieu of any adequate collection of cases on the subject. The following summary is not intended to be comprehensive, but only to set forth the chief alternatives. If and when women's wages are settled by collective bargaining, it may be expected that the relative advantages and practicability of these principles will be submitted to analysis by bodies dealing with wage questions. Unless that development occurs the matter will be settled as at present by the play of the market for workers, tempered perhaps by an extension of "the living wage" legislation.

(A) When Engaged in Different Occupations

1) Existing differentials, as established by the previous operation of the market may be as nearly as possible maintained

2) The relative wages may be settled upon the same principles as are ordinarily used in establishing differentials between different kinds and grades of men's work. This would usually lead to the establishment of smaller differentials than those at present existing

3) The relative wages may be settled upon the same principles as are ordinarily used in judging differentials between different kinds and grades of men's work—making allowances for the relative efficiency and value to the employer of men and women in those occupations in which women are engaged

4) As regards the unskilled and lowest paid groups of both sexes, "the living wage" principle may be applied—in which case the relation would be determined by the computations of the "living wage" for each sex a) The "living wage" principle may be applied to women only, as in those American states where living wage legislation for women is in force. In that case the relation is determined by the "living wage" computation for women, compared with the wage rates paid to men

(B) When Engaged in the Same Occupation

1) The same system of payments by results and same rate schedule may be applied to men and women.

2) Women may be paid at a lower piece-rate schedule than men. The difference may be based on a) On differences in the value of men and women workers to the employer which would not be reflected in differences of earnings on the same piece-rate scale—due for example,

to difference in rate of turnover b) On differences in bargaining power and earnings in outside occupations.

3) Different time rates may be established for men and women the differences being based on a) Differences in the value of men and women to the employer b) Differences in the earnings of men and women in outside occupations

4) Men and women may be given the same time rates, the rates being calculated to be just to the men—as compared with the wages of men in other occupations and outside industries Unless women possessed ability in the occupation approximately equal to that of men, the employment of women would cease, if this principle were used; unless the numbers of women possessing ability in the occupation approximately equal to that of men were limited by nature or arrangement, the rates established under this principle could only be maintained with difficulty.

5) The same time rates may be established for men and women, the rates being calculated as just to the women—as compared with the wages of women in other occupations and outside industries. Unless the occupation in question was highly skilled and the rate established comparatively high, the employment of men in the occupation would diminish if this principle were used

6) The wages of either or both groups may be established according to the living wage principle, as explained in 3 under A

SUPPLEMENTARY NOTE C—UPON THE CLASSIFICATION OF WORKERS IN AN INDUSTRY

The application of the principle of wage standardization in an industry requires that the various grades of work be clearly defined and classified. Each standard rate established must apply to work clearly described and distinguished from other types of work.

No two problems of classification of workers are ever alike. Each separate classification must be undertaken on the basis of the facts of the particular case.

Classifications rest first of all upon differences in the work performed—which means that the different classes of work must be defined. They may also contain differentiations based upon 1) degrees of competency in any or all classes of work 2) seniority of service 3) conditions under which the work is performed.

All classifications, if they are to remain satisfactory, must be revised constantly as changes take place in the methods of the industry, and the classes of work performed.

The correctness of any classification scheme may be challenged as regards the soundness of its distinctions between classes of work and its establishment of grades within each class based on competency, seniority and the like. Good classifications are those which 1) are numerous enough in their distinctions to encourage the acquisition of skill, and to enable the employer to make a just distinction in pay for differences in skill but which 2) do not establish differences of class or grade based on minute or unsubstantial differences in the work performed, etc.—which produces confusion, uncertainty and squabbling.

Only when the productive methods of an industry are highly standardized is it possible or advisable to establish a uniform classification for all the enterprises in it. Important differences between the classes and grades of workers employed in different enterprises should be recognized in the classification which is established; or in other words the classification should be applicable to all important types of enterprises within an industry. The question of determining whether it is just and sound, con-

sidering the interest of both workers and employers to establish a uniform classification for any industry, is a matter of judgment and knowledge of the exact facts. It must be recognized that settling the classification, means settling in a large measure the standardization scheme adopted.

SUPPLEMENTARY NOTE D—UPON THE RELATION BETWEEN NATIONAL PRODUCTION AND WAGES

In the introduction to Chapter VII, note was taken of the fact that in some recent American arbitration cases, an attempt had been made by the trade unions concerned to formulate a principle by which wages would be adjusted to the product of all industry. This attempt has been supported both by theoretical arguments and by statistical studies of national production and wage incomes. The report published below (in part) is the most careful and extensive presentation of the principle that has been made; for that reason and for the general interest of the statistical material it contains it is printed here. Unfortunately because of its length many parts of the report have had to be omitted, including various interesting statistical tables and appendices. I believe, however, that the structure and main substance of the argument are fairly given in the extracts used. The reader interested in pursuing the subject and in the statistical studies will find the whole report printed as—"Hearing before House Committee on Labor on H. R. 11956"—67th Congress 2nd Session (1922). H. R. 11956 was a bill to create a wage board for employees of navy yards and arsenals.

The whole report including its presentation of facts must be taken as highly tentative and subject to disproof or correction by further investigation. Even if the statistical results are correct, their explanation, significance, and importance for purposes of wage policy are matters requiring independent consideration. As a statistical approach to the question of the distribution of the product of industry, the report and the various investigations which it includes are certainly important although the theoretical discussion on which the statistics are threaded may be faulty or even decidedly incorrect.

REPORT ON THE RELATION BETWEEN WAGES AND PRODUCTION

[Prepared for District Council No. 44, International Association of Machinists, July, 1921, by the Labor Bureau (Inc.), New York City. George Soule, director in charge.]

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We must also gratefully acknowledge the courtesy of the distinguished economists who answered the questionnaire in Appendix B, as well as that of Prof Edmund E Day, of Harvard University, and Prof. Walter W Stewart, of Amherst College, who clarified for us certain questions in regard to their indices of production

Introduction

The wages of machinists in Federal employ can not be determined by the methods now possible in determining wages of those in private employ For the latter may withdraw their labor collectively, and thus use their economic power in collective bargaining to gain increases Economists are almost unanimous in the opinion that labor may, by collective bargaining, appreciably enlarge its recompense, and that, in fact, without collective bargaining labor is not likely to receive a fair share of the national income (See Appendixes A and B) But since Federal employees should not be obliged to strike, their wages should not depend on any balance of economic power between them and the Government, and some more scientific principle of wage determination must be applied

In the past wages in the arsenals and navy yards have been determined by the current rates in neighboring plants During the war, wages were adjusted in some relation to the rise in the cost of living The latter practice has now been abandoned by mutual consent

Neither of these methods is satisfactory, and neither is based on a sound theory To make the wages of Government employees depend wholly on the current market rates involves a large chance of injustice These rates themselves are not the result of any scientific calculation They may be the result of collective bargaining, or on the other hand they may be only the rates which wage earners are able to obtain as the result of competition in an open labor market, dealing individually with the superior economic power of combinations of capital They are not fixed according to any standards such as those which the Government, as an employer with a duty to the general welfare, ought to establish. In such a matter the Government ought to be a leader rather than a follower It ought not to adopt the arbitrary method of paying whatever private employers might chance to pay.

To lower or raise wage rates in the same ratio as the fall or rise in the cost of living is also arbitrary and unsatisfactory It assumes that the wage at which the process starts is a just and proper wage, and

alters it only as the retail price level changes. It thus perpetuates the wageworker's existing standard of living, although almost all authorities agree that the standard of living of all classes should rise with the rise in the general standards and wealth of the community. (See Appendix B.)

It is obvious that, for the good of all concerned, the movement of wages should bear some relation to the national wealth. Specifically, it should bear some relation to the product of industry. We do not mean by this that stop-watch and bonus methods should be adopted which set one worker in competition against another, but may not raise the average level of real wages in the least. We mean that the wage earners as a whole, or any considerable group of wage earners, should receive a larger reward as the product of their labor increases. This larger reward may be expressed in terms of uniform wage rates covering everyone in a certain occupation, as before. We are not seeking a principle which shall introduce a method of varying the wage rates among individual workers, but one which shall set a standard for the average or normal wage.

The following study is an attempt to arrive at such a principle. A brief summary of the wage theories held by economists establishes the broad theoretical basis of the inquiry. A study of the facts of production, and of the wage earners' share in the product of the industry, leads to the formulation of a general principle and suggested method of applying it. A study covering such a broad field is necessarily capable of much expansion, but we believe that as far as we have been able to go we are on solid ground, and that the principle developed is at least more scientific than the method now used in fixing the wages of machinists in Federal employ.

That principle is, briefly stated, that average real wages should increase at least in direct ratio to the increase in per capita production. .

Production Theory

Many present-day authorities have substituted for the old theories the production theory of wages. Ignoring variations of detail, the theory may be stated as follows:

The total amount of goods available for distribution among the population is, of course, the total amount produced for consumption purposes. The more goods there are produced, the more there are to be consumed. This amount may be increased, and has been increased in modern times faster than the population increases.

There are, in general, three factors in production: Land (meaning natural resources of all sorts), capital (meaning the instruments of production), and labor (meaning work of all kinds by all classes of the population). Production results from the joint use of all three. The farmer tills his field and raises grain; the grain results from the application of labor by means of a plow (capital) to the land. If the farmer acquires more land, or the land becomes more fertile, that increases the production of grain. If the farmer uses more plows, or better plows, that increases the production of grain. If the farmer works better, that

increases the production of grain. The contrary holds true in all these cases. Some factors may increase in amount or efficiency while others are decreasing. Whatever the cause of the increase or decrease in production, the farmer necessarily feels the result.

In the case of the farmer who owns his land and his tools, and raises products merely to support himself and his family, there is no problem of distribution. But where, as in modern society, some people receive income for owning land or natural resources, some for owning capital goods, and others merely for their labor, the distribution of the total product has to be accounted for. This the production economists explain by the interrelation of the various factors in production. If the amounts of labor and capital grow more rapidly than land under cultivation or other use, land becomes more in demand, and hence its owner can exact a higher rent—that is, a larger proportion of the total product. Or if a given amount of land becomes more productive in comparison with a given amount of capital or labor, it becomes more in demand and its owner can exact a higher rent. The contrary is true in each case. The same principles apply in the case of the reward of the other factors in production.

The reward which goes to the owner of a business as owner is the reward of capital and comes under the head of interest. But the reward which comes to the business man as a result of his efforts in organizing production, though it may in some cases be called profits, is considered as the reward of labor and is technically classed with wages. The business man who received this reward is commonly called by economists the entrepreneur as distinguished from the capitalist or owner of capital.

Many production economists believe that the same principles which govern the distribution of the national income among land, labor, and capital, also govern the distribution of labor's share among the various classes of workers—that is, that a scarcity of any class of labor will increase its share, and also that the entrepreneur, the skilled workman, the common laborer, etc., will each receive wages proportionate to their relative contributions to production.

The theory, as it touches wages, may be stated as follows:

1. That wages may increase as the total product per capita increases.
2. That the proportion of the product which labor receives becomes larger (a) as the available supply of capital or of land increases in relation to the supply of labor; and (b) as the productivity of labor increases in relation to the productivity of land or capital. (This is called by economists the theory of marginal productivity.)

The contraries are true in both cases.

Some economists have gone so far as to say that this system of distribution is ethically or morally right; most of them merely maintain that it is what tends to happen under a capitalist form of economic organization.

Virtually all production economists qualify this theory by saying that it indicates what would happen under perfectly free competition. In so far as competition between capitalists or landowners has been restricted by any form of combination or monopoly, they can arbitrarily increase their share of the product. Wage earners can, in such circumstances,

gain their competitive share only by opposing combinations of capital with the economic power of combinations of laborers. This is the theoretical justification for the use of the strike and of collective bargaining (Collective bargaining, of course, loses its force if it does not rest upon the potential power of the ability to strike.)

Many modern economists have come to see that the part of the productivity theory, which has to do with distribution, is modified by so many complex social and economic forces that it can not be applied in any automatic way. Some have criticized it by saying that it does not prove that every element in production receives the share of actual physical goods or services which that element produces, but rather that it receives its share of the economic value of such goods or services under our present form of industrial organizations, which is a different thing.

Economists would agree, however, that if labor does receive a constant or nearly constant proportion of the national product, real wages will increase on the average as the total per capita product of the nation increases. This is obvious and axiomatic.

STUDY OF THE FACTS OF PRODUCTION

I. Questions to be Answered

As a preliminary to any attempt to base the determination of wages on production we must investigate the actual facts by means of statistics. Does the production of the Nation show a tendency to increase over a considerable period? Is this increase taking place at a more rapid rate than the increase in population? What are the characteristics of the increase? What share of the national income actually is paid in wages? Does this share vary widely, or does it tend to remain constant?

II. The Course of Physical Production and Total Volume of Production

On the basis of general considerations, we should expect to find that a large increase in production had taken place in the United States and is still going on. Farming land and natural resources have shown no signs of becoming exhausted, but have come more into use as the population has grown. There has been an enormous accumulation of capital goods in the instruments of production. Technical progress in machinery has greatly increased the productivity of the individual laborer. Production has constantly been organized on a larger and more efficient scale.

Various statistical studies of production have borne out the general assumption. Prof. Edwin W. Kemmerer of Princeton and Prof. Irving Fisher of Yale began the work some years ago, and recently indices of physical production have been worked out independently by Doctor King, Dr. Walter W. Stewart of Amherst, and Dr. Edmund E. Day of Harvard University. Working by somewhat different methods, all these authorities arrived at a similar result, as Dr. Carl Snyder shows in the American Economic Review for March, 1921. We quote from his comment:

"In general all of these (King, Stewart, and Day) agreed in a slope, in the last 30 years, of around $3\frac{1}{2}$ to 4 per cent. Considering the amount of material available, its nature, and the considerable probability of error involved, it may now be said with confidence that this is approximately the annual growth within the last generation. * * * The fact which stands out, of course, in all these investigations, is the amazingly even character of this production growth, and how very slight is the variation in the flow of goods from year to year throughout periods of wide prosperity or deep depression; how slightly it was affected by the war, and how little relationship it often bore to the prevailing spirit or traditional idea of any time."

TABLE I—*Indices of physical production in the United States—Total production and production per capita.*

Year	Physical production		Population of United States ³	Production per capita of population ⁴	
	Stewart ¹	Day ²		Stewart	Day
1899	65	64.6	77.1	84	84
1900	66	65.6	78.5	84	84
1901	67	66.9	80.1	84	84
1902	77	77.3	81.8	94	94
1903	75	76.4	83.5	90	92
1904	80	78.5	85.1	94	92
1905	86	87.3	86.8	99	101
1906	91	93.3	88.4	103	106
1907	89	90.9	90.0	99	101
1908	84	83.3	91.7	92	91
1909	94	95.0	93.4	101	102
1910	96	97.8	95.0	101	103
1911	93	93.6	96.7	96	96
1912	106	107.6	98.3	108	109
1913	101	105.2	100.0	101	105
1914	101	102.9	101.2	100	102
1915	112	110.8	102.4	109	108
1916	117	117.2	103.6	113	113
1917 . . .	124	119.8	104.8	118	114
1918	125	119.0	106.0	118	112
1919	120	112.5	107.2	112	105
1920		⁵ 117.0	108.8.....		⁵ 108

¹ From "An index number of production," by Prof. Walter W. Stewart, of Amherst College, *American Economic Review*, March, 1921. Base, 1911-13=100.

² From "An index of physical production," by Edmund E. Day, published by the Harvard University Committee on Economic Research. Base, 1909-13=100.

³ Index from census figures, corrected for retarded growth 1914-1918. Base, 1913 = 100.

⁴ Index of production divided by index of population.

⁵ Estimated

For the purpose of this study we have confined ourselves to the indices of Doctor Stewart and Doctor Day which are the most recent and the most thorough. Doctor Stewart's index is built from production figures divided into three main groups—materials, manufacture, and transportation. It is based on 92 series in all. Doctor Day's index is built up from three groups—agriculture, mining, and manufacture. It differs from Doctor Stewart's mainly in that it does not include any index of transportation, which, strictly speaking, comes under the head of services rather than the production of goods . . .

We can therefore conclude that since the per capita product shows a steady trend upward, wages on the average may show a corresponding upward trend. The next question to be investigated is the share of the total product received by labor .

TABLE II.—*Index of production per wage earner in all manufacturing industries and in iron and steel and their products United States (base, 1909=100).*

All Manufacturing Industries				
Year	Wage earners ¹	Index of wage earners.	Index of physical production (Day) ²	Index of production per wage earner ³
1899	4,713,000	71	61.2	86
1904	5,468,000	83	75.5	91
1909	6,615,000	100	1000.0 ⁴	100
1914	7,036,000	106	106.2	100

Iron and Steel and their Products				
Year	Wage earners ¹	Index of wage earners.	Index of physical production (Day) ²	Index of production per wage earner ³
1899	745,000	72	56.4	78
1904	869,000	85	67.5	79
1909	1,027,000	100	100.0	100
1914	1,061,000	103	94.5	92

IV. Share of Labor in the Product

As we have seen in section A-IV, economists have devised intricate theories to account for the share of the product which labor receives. It is not necessary to accept these theories in detail, however, in order to see that if labor does receive a nearly constant share of the product, the

¹ Average number of wage earners for the year in question as given by the census of manufactures

² Day's index of manufacturing industries and of iron and steel, converted to 1909 base.

³ The drop in 1914 is of course due to the temporary depression peculiar to that year.

⁴ This is no doubt a printing error. It should be 100.0 [Ed.]

wages should increase with an increase in per capita production.

It does not seem likely, from general consideration, that the share of labor in the income would change rapidly. Minor fluctuations, due to the business cycle, may occur, but the relative amounts of natural resources, capital, and labor in use, and the relative productivity of the various factors, have not changed rapidly enough to make an appreciable difference over periods of 15 and 20 years. This conclusion is borne out by an examination of what facts we have.

In order to secure an estimate for the United States, we have narrowed the scope of the inquiry to the proportion of the product of manufacturing industry received by the wage earners as distinct from salariat and management.

The census of manufacturers shows the total amount paid to wage earners in the various census years, both in manufacturing industries as a whole and in 14 large industrial groups. It also shows the total of "value added by manufacture." This figure is obtained by deducting the cost of materials from the sales at the factory. It therefore represents the entire margin out of which are paid rent, interest, salaries, and wages and any corporate savings, etc. It is a better figure for the value product of industry than the "value of the product," because the latter is based on the total factory sales and includes the cost of materials, and since the product of one factory serves as the material of another, it involves much duplication. By obtaining the percentage which wages form of the "value added by manufacture," we can therefore determine what share of the value product goes to manual labor.

TABLE III—Percentage of "value added by manufacture" paid in wages in the United States for all manufacturing industries and 14 main industrial groups (from United States Census figures)

Group	1899	1904	1909	1914
All industries	42	42	40	41
Food and kindred products.	30	31	28	28
Textiles and their products.	47	47	45	47
Iron and steel and their products.	47	48	47	49
Lumber and its remanufactures	48	48	49	53
Leather and its finished products	55	50	48	48
Paper and printing.	36	34	33	34
Liquors and beverages	11	12	11	13
Chemicals and allied products.	25	23	22	23
Stone, clay, and glass products	56	55	54	55
Metals and metal products, other than iron and steel.	38	42	42	42
Tobacco manufactures	28	31	29	28
Vehicles for land transportation	51	51	47	44
Railroad repair shops ¹	88	89	88	87
Miscellaneous industries	44	41	39	40

¹ Since most repair shops are owned by railroads, and their product is therefore not sold, this figure merely expresses the relation between wages and total operating cost, including overhead and wages.

Table III proves that this percentage has shown a striking uniformity during the 15-year period covered by the censuses, both for industries as a whole and for each industrial group taken separately. It varies widely from industrial group to industrial group, but in each group it remains nearly constant. The only marked exception is in the group "Vehicles for land transportation," where the share of labor fell appreciably after 1904. This can undoubtedly be explained by the change in the character of the industry caused by the rapid growth of automobile manufacture, which involved more machine processes and larger investments in plant. Since, then, labor received a fairly constant share of the value product, and since production has increased, it is reasonable to conclude that the aggregate of wages has increased in nearly exact proportion to the increase in production.

It may be objected that this may not imply an increase of wages to the individual worker, since the number of wage earners may have increased in proportion to the aggregate wage payment and the total production. The answer to this objection is our previous demonstration that production has increased per capita, and the number of wage earners has consequently not increased in proportion to production.

It may be objected, again, that while the wage earners may have received a constant share of the value produced, this does not necessarily mean that they have received a constant share of the physical goods, which are not the same as the value. To this, we can tentatively answer that the wages, as well as the product, are here reckoned in terms of value, and hence the two are commensurable.

C. Application of Productivity Increase to Wage Determination

I. What We Have Proved

Our investigation of the facts of production has not proved that the workers have received what the production theorists would call their "full competitive share" of the product. Since in many great industries, such as basic iron and steel, textiles, oil refining, etc., the organization of labor has by no means kept pace with the organization of capital and of employers, and hence collective wage bargaining has not been practiced, we are justified in assuming that a large proportion of the workers in the past have probably not received their "full competitive share," and that their competition has had a depressing effect also upon the wages of organized labor. Economists are almost unanimous in the opinion that collective bargaining is necessary in order that wage earners shall receive their full share of the product (See Appendixes A and B). Furthermore, we have not accepted the productivity theory of distribution itself as necessarily sound. Even if the workers had received their "full competitive share," it may be that they could have received a still larger share with no harm to production, to the general welfare, or to themselves.

What has been proved is this:

1. That production per capita has shown a steadily increasing trend.
2. That manufacturing wage earners have received a nearly constant proportion of the value-product of industry.

3. That average manufacturing wages, therefore, have risen in direct ratio to the increase in per capita manufacturing production.

4. And, inferentially, that this increase has occurred without any prejudice to the accumulation of capital or the increase in productivity.

These conclusions point to a minimum limit for average wages. The general principle to be derived from them is that Average real wages should increase at least in direct ratio to the increase in per capita production

II. Social Justification of the Above Principle

With increase in the rate of per capita production goes the possibility of improvement in standards of living for the population. If industrial wage earners do not share in that improvement, it means that other classes of the population receive a larger proportionate share. But wage earners, according to the 1914 census of manufactures, form 85 per cent of those employed in manufacturing industry, who in turn compose, on the basis of the 1910 census, 27.9 per cent of the total gainfully employed population. (The only larger class, of course, are those engaged in agriculture, who are not directly involved in this discussion.) If with the general improvement in standard of living 23 per cent of the population fail to receive their just share of that improvement, a constantly increasing difference in standards is set up between that large class of the population who receive the lowest income and consequently need improved standards most and other classes receiving higher incomes. Such a tendency can not help being harmful in a society with democratic aims and ideals, and could hardly be approved by anyone. Least of all could it be approved by representatives of the Government who are charged with fixing wages of Government employees.

A tendency of this sort would affect production itself, encouraging the production of nonessentials at the expense of food, clothing, and shelter for the majority of the population. This would mean increasing social waste in the utilization of our natural resources, and eventually a restriction of total production. Furthermore, if workers knew that by increased efforts on their part they could be sure of increasing their standard of living, the productive morale of the rank and file would be improved enormously, but as long as they have no such guarantee, but feel that any increased effort on their part may lead merely to the enrichment of other classes of the population, their natural incentive to produce is balked.

III. Method of Applying Productivity Increase to Wage Determination

1 *The basis of production measurement.*—It is one thing to say that average wages should increase at least in direct ratio to the total increase in per capita production, another to apply this principle to wages in any specific case. Wages bear a relation not only to the general increase in productivity, but also to the productivity in the industrial groups, and even to the productivity in the more limited trade or sub-industry. On the one hand, it may be argued that the ability of any plant

to pay wages depends on its own production rather than on the production of some other plant or of some other industry. In so far as this is true, it would tend in any special case to limit the consideration of productivity to the smaller units.

Over and against this contention, however, must be set others equally important. Plants within a competitive industrial group tend to pay the same minimum rates of wages. This is because of competition among the employers on the one hand and among the workers on the other. No matter what the relative efficiency of the plants in question, competition among employers for workers or among the workers for jobs tends to maintain a uniform minimum level throughout a given industry. This is acknowledged in most collective wage adjustments, as is seen in coal mining, railroads, and many other instances. Even where collective bargaining does not exist, as in the steel industry, movements of wage rates tend to the uniform. In cases where, as in clothing manufacture, printing, and the building trades, wage rates differ among localities on account of differing living or overhead costs, movements of wages up or down tend to be uniform throughout the country. The competitive industrial group should therefore be taken as the smallest unit whose productivity need be considered in wage readjustments.

But we can not stop there. Many trades, such as machinists or carpenters, shift from one industry to another and the competitive effect of this shifting is to maintain a tendency toward uniform national rates for each craft. Furthermore, the "standard of living" is ordinarily measured as much by wage differentials between crafts as by actual quantitative standards. If one group of workers in a community secures a wage increase, other groups in other crafts or other industries will believe themselves entitled to a parallel increase, and will tend to refuse to work for less. The standards of living of the workers differ among the various groups, but the various standards tend to maintain a constant relation to each other, if they do not, indeed, approach uniformity. In the long run, the supply of labor for the more poorly paid occupations will shrink through the competition of the more attractive jobs. These tendencies work toward uniform changes in wage rates throughout all industries.

An influence still more basic is the interrelation between total production and the consuming power represented by wages.

We therefore arrive at the conclusion that increased productivity in any industry can be beneficial in the long run only if there is a general increase in consuming power. And, per contra, any increase in real wages in any one industry must depend on the general increase in productivity as well as upon the increase in that industry alone. As a matter of fact, no one industry has been chiefly responsible for the increase in average productivity. Table V shows that industrial groups have all shared in it.

In an effort to discover whether the course of wages in (an) industrial group was closer to the course of the value-product in that group than to the course of the value-product industry as a whole, we have compared the index of total wages paid with the index of total value added by manufacture, both in the separate group and in industries as a whole. (Table VI.) This relation is the same as that between per capita wages and per capita value-product, since it would not alter the ratio if both

figures were to be divided by the number of wage earners. In special cases, a disturbing element may arise from a movement of prices in the industrial group which diverges from the general price level; but since both wages and product are in terms of value, failure to correct for price fluctuations does not involve great error. Nineteen hundred and nine is chosen as the base. Group 13 industries (railroad repair shops) and Group 14 (miscellaneous) are omitted, because in the former case the "value added" is an arbitrary figure computed from the labor cost and overhead, and in the latter no single industrial group is concerned.

TABLE V—*Index of physical production per wage earner in manufacturing industries of the United States, 1899-1914, and index of value-product per average yearly wage for census years (base, 1909=100)*

Year	All manufacturing industries				Group I			Group II.		
	Index of employment ¹	Wage earners ²	Physical production ³	Per capita production ⁴	Wage-earners ⁵	Physical production ⁶	Per capita production	Wage-earners	Physical production	Per capita production.
1899	90.0	71.2	61.2	85.9	73.3	69.3	94.5	71.1	67.0	94.2
1900	88.5	72.6	61.8	85.1						
1901	90.5	76.8	68.8	89.6						
1902	85.9	75.3	75.6	100.4						
1903	90.7	82.1	76.8	93.5						
1904	88.5	82.7	75.4	91.2	86.1	86.6	100.6	80.4	77.6	96.5
1905	90.7	87.6	88.4	100.9						
1906	94.5	94.3	94.9	100.6						
1907	94.0	96.8	95.7	98.9						
1908	85.2	90.5	81.2	89.7						
1909...	91.4	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1910.	93.5	105.5	101.6	96.3						
1911	89.2	103.6	96.9	93.5						
1912	90.4	108.1	111.0	102.7						
1913	90.7	111.5	114.5	102.7						
1914	84.2	106.4	104.9	98.6	120.4	105.8	87.9	104.2	105.4	101.2

¹ Percentage employed of estimated normal supply of nonagricultural workers, from "Fluctuations in unemployment in cities of the United States, 1902 to 1917," by Hornell Hart, Cincinnati: Helen S. Trounstein Foundation, 1918. This study was based on a large amount of data from various Federal and State Government sources. It includes transportation and mining as well as manufacturing, but the three curves are nearly parallel, and hence only a slight error is involved on this score. (Estimates from 1899-1901, inclusive.)

² By applying the percentages of employed in census years to the average number of wage earners in those years as given by the census, the total supply of workers in those years was derived. The total supply in intervening years was then calculated by interpolation. The yearly numbers of wage earners were then calculated by applying the index of employment to the yearly total supply, and the result was converted to the base, 1909 = 100.

³ Day's index for manufacturing industries.

⁴ Index of production divided by index of wage earners.

⁵ Index derived directly from census figures. Interpolation for intervening years not attempted, since sufficiently accurate indices of employment for separate groups are not now available.

⁶ Day's index for the group in question.

TABLE VII.—*Difference between index of value added by manufacture and index of wages in each main industrial group, compared with difference between index of value added in all industries and index of wages in each group.*

Group	1899	1904	1909	1914
1. Food and kindred products:				
Both indices of the group in question....	—5	—7	—0	—1
Index of value for all manufacturing, less index of wages in group.....	—3	—5	0	—17
2. Textiles and their products:				
Both indices of the group in question....	—2	—2	0	—6
Index of value for all manufacturing, less index of wages in group	—1	3	0	2
3. Iron and steel and their products:				
Both indices of the group in question....	—1	—3	0	—6
Index of value for all manufacturing, less index of wages in group	—4	—3	0	2
4. Lumber and its remanufactures				
Both indices of the group in question. .	1	2	0	3
Index of value for all manufacturing, less index of wages in group.	—3	—5	0	12
5. Leather and its finished product:				
Both indices of the group in question....	—8	—2	0	0
Index of value for all manufacturing, less index of wages in group	—8	—4	0	7
6. Paper and printing:				
Both indices of the group in question ..	—4	0	0	—2
Index of value for all manufacturing, less index of wages in group	—3	—3	0	—8
7. Liquors and beverages:				
Both indices of the group in question.	—3	—10	0	—21
Index of value for all manufacturing, less index of wages in group	—5	—10	0	—17
8. Chemicals and allied products:				
Both indices of the group in question .	—8	—5	0	—21
Index of value for all manufacturing, less index of wages in group	—3	—5	0	—14
9. Stone, clay, and glass products:				
Both indices of the group in question....	—1	—1	0	—21
Index of value for all manufacturing, less index of wages in group.	—3	—4	0	—14
10. Metals other than iron and steel:				
Both indices of the group in question....	—7	1	0	—1
Index of value for all manufacturing, less index of wages in group	1	—1	0	2

Group	1899	1904	1909	1914
11. Tobacco manufactures:				
Both indices of the group in question...	2	—5	0	6
Index of value for all manufacturing, less index of wages in group.....	—12	—26	0	4
12 Vehicles for land transportation:				
Both indices of the group in question....	—3	—4	0	13
Index of value for all manufacturing, less index of wages in group	5	14	0	—47

Table VII shows the differences in each case. It is evident at once that the greatest variations occurred in 1914. This was undoubtedly due to the depression of that year, with its irregular movements of production and prices. Leaving the 1914 column out of consideration, in most of the groups wages follow the product of the group a little more closely than that of industries as a whole, though the differences are slight except in groups 11 and 12. In both these groups (tobacco manufacture and vehicles for land transportation) there were very marked changes in the character of the technical process, so that productivity and wages took different courses from that in industries as a whole.

Our analysis has not proceeded far enough to enable us to derive any exact formula for the relation of wages in a particular industrial group to productivity in that group on the one hand and to total manufacturing productivity on the other. We can say, however, that in all cases except where an extraordinary change in industrial technique has taken place, it would in the long run make little practical difference whether either index were used alone or both were used in any possible combination. Table VII compares the total production of the country per capita of the population with total production of manufacturing industries per capita of persons engaged, and with production of the various industrial groups per capita of persons engaged, so far as the latter can be derived from census figures.

From this analysis it is justifiable to draw the following conclusions:

That while no exact formula has been developed, it would be more scientific to apply the index of productivity for the entire Nation, or for all manufacturing industries in determining real wages in any specific case than to regulate wages merely by changes in the cost of living or by the chance changes of wages in "neighboring plants."

2 *Methods of production measurement.*—As the accumulation of statistics becomes more complete, it will be possible to work out more accurate methods of production measurement. For the present we can depend on such indices as those of Doctors Stewart and Day for the production of large industrial groups.

In order to measure the production of any competitive industrial group such as might be involved in a specific collective bargaining arrangement, various methods may be suggested, according to the case. If the product is sufficiently uniform so that it can be measured in commodity units (such as steel billets) that is undoubtedly the best

method. If, on the other hand, it is widely varied, as in printing or clothing, an accounting method may be the best. Such a method might, for instance, find the total net sales for the group, and then deflate the result by an index of factory prices for the products of the industry. This, with careful statistical method, would give a fairly accurate index of physical production.

The case of Government arsenals and navy yards is a peculiarly difficult one, since the product is extremely varied, and accounting methods can not be applied, the product having no exchange or market value.

Until some more accurate method is devised we recommend the use for determining wages in Government arsenal and navy yards, of the index of production per capita for the whole country. This, being calculated on a larger base of data than index now available for smaller industrial groups, is likely to be approximately correct; we have already demonstrated that use of the total index would involve no great error if applied to a specific industry.

3 Method of applying index of production to wages.—The simplest way of applying an index of production to wage determination is, of course, to apply the percentage increase to the existing wage rates of the various classes. This avoids all problems which would be involved in any attempt to set a new basis or to alter wage differentials among classes. At some time in the future, after economic research has delved further into the subject, the unions may be prepared to demonstrate that the present wage basis does not represent a sufficiently large share of the Nation's income, and increases may be demanded on that ground. For the present, however, that contention is waived, and the employees confine themselves to the argument that they can not in the future accept less than their present share of the national product. In order to maintain their present share it is, of course, necessary to increase real wages by the percentage increase which from time to time takes place in production per wage earner. Surely no reasonable person would dispute the justice of that proposal. The proper method, in detail, would be as follows:

(a) As a preliminary, a minimum wage should be established below which no adult worker should be permitted to fall. The basis upon which this wage should be calculated is a budget of yearly expenditures defined by the United States Bureau of Labor Statistics as the minimum of health and decency level for a worker's family of five. The various articles and quantities making up this budget can be found in the *Monthly Labor Review* for June, 1920. This budget should be actually priced in the localities of the wage adjustment at the time of each adjustment. It is, of course, merely a minimum and will serve to maintain at the lowest level of wages a standard of living not incompatible with American citizenship. Authorities in plenty could be quoted in favor of the "living wage" minimum, but since many of these authorities have been spokesmen for the Government itself, it is hardly worth while to take up the time of Government officials in justifying a principle which is now officially accepted.

(b) At the time of each adjustment, the wage rates established at the last adjustment should be modified by the percentage change in the cost of living since the last adjustment. Department of Labor figures for this change should be used, consisting of retail prices weighted according to the importance of the various items in the family budget. This modification is not for the purpose of fixing new wage rates, but merely for the purpose of establishing in terms of the new price level, and as a base for computation, the real wages awarded at the last adjustment.

(c) The existing real wage rates as defined in (b) should then be modified by the percentage increase in per capita production. This will give the wage rates for the new period

The percentage increase in per capita production should not, of course, be reckoned simply from year to year. Owing to the fluctuations of the business cycle, some years show abnormal increases in production, while others show decreases. Wages, of course, do not fluctuate as violently as prices or production, and it is not desirable that they should. To decrease real wages during a depression, and then to increase them rapidly during the following period when production picks up again would be an undue hardship to the wage-earner, and would, by its reaction on the market, intensify every undesirable feature of the business cycle. The trend of production which it is desirable to apply to wage determination is not the cyclical one due to booms and depressions, but the steady average increase over a period of years.

In order to obtain the percentage of average increase we suggest a 10-year moving average. This is long enough to include the whole course of the business cycle—both upward and downward swings—its average length being about seven years. Table IX shows the yearly percentage increases or decreases in per capita production for both the Stewart and Day indices, together with yearly percentage of average increases for the preceding 10 years. It will be seen that while the yearly change fluctuates between 13.5 and -9.9, the average change fluctuates only between 3 and 0.8. A yearly addition to real wages corresponding to the average change in productivity would not be an inconvenience to any solvent concern; yet the cumulative effects of these changes, if applied from 1908 to 1919, would have been to raise real wages, by the Stewart index 20.24 per cent and by the Day index 20.95. It should be borne clearly in mind that these increases in wages would not be mere modifications due to changes in the price level, but would represent actual increases in purchasing power, whatever the level of prices.

Let us analyze for a moment the effect of the above method of wage determination. It may at first appear that there is something illogical in modifying a money wage by an index of physical production. But a moment's reflection will show that there is no difficulty here. A worker's wage at any given time represents the power to purchase certain quantities of certain goods. If that wage is modified by the cost of living index it means that after the modification he will be able to buy, at the new price level, exactly the same quantities of the same goods as before. In essence, therefore, he has been receiving a fixed commodity wage.

But in the meantime the physical production of the Nation has been increasing per capita. If the wage earner is to absorb his accustomed share of the total product, his real wages must therefore be increased by exactly the percentage by which physical production per capita has increased. Since the new volume of production is being distributed at the new price level, the percentage addition to his real wages can be made in terms of dollars and cents, after the cost of living adjustment.

It is sometimes said that increased production will increase the welfare of the workers, not by raising wages but by lowering prices. The suggested system of determining wages would merely translate such a process into concrete terms. If increased production does lower prices, that fact will be accounted for when the wage rate is modified by the cost-of-living index.

The addition to the wage then made for increased productivity will bring the modified wage up to the point where it can perform its former share in absorbing the total production. If, on the other hand, increased production should not lower prices, the wage base will be adjusted to the price level wherever it may be, and the increment added for production will then assure the worker of his former share of the product.

As an example of the operation of this process let us begin with a yearly wage of \$2,000. Suppose it were ascertained at an annual adjustment that the cost of living had risen 10 per cent and the 10-year average for annual increase of per capita production were 2 per cent. The adjusted base would be found by adding 10 per cent for the increased cost of living, and it would be \$2,200. The new wage would then be determined by adding 2 per cent to the adjusted base, and it would be \$2,244.

At the succeeding annual adjustment this would be the figure to start from. If the cost of living had then declined to the point where it had been before the first adjustment that decline measured in terms of percentage would be 9 per cent. Subtracting this from \$2,244 we get \$2,042 as the adjusted base, and adding 2 per cent we find \$2,083 as the new wage. This wage, at the same price level as that of two years before, has a net increased purchasing power, due solely to higher productivity, of a little over 4 per cent (represented in money by \$83).

In operating this method it is important to make frequent adjustment—at periods not more than a year apart—in order that the workers may not be handicapped by too great fluctuations of purchasing power. Adjustments necessitated by a rising cost of living should not be delayed, for instance, as they were during the war, because of a belief that the cost of living is soon coming down again. Such delay would be excusable only if there were to be no attempt to keep wages in some fairly constant relation to productivity.

D. Estimate of the Probable Effects of This Method of Fixing Wages

1. *The past course of real wages.*—It may be asked, if in the past wages have borne a constant relation to the value product of industry

without the establishment of any special principle of determining them, will not the same process continue in the future without employing any basis of wage determination but the prevalent market rate? It must be remembered, however, that in comparing wages with figures of "value added by manufacture" we are speaking in terms of value, in other words, in terms of prices, and that the prices in this case are wholesale prices. For "value added by manufacture" is obtained by subtracting the cost of materials from the sales price at the factory. But in order to assess wages, not in relation to the value product of manufacturing industry, but in relation to their purchasing power for the individual worker, we must relate them to retail prices, or, in other words, investigate the course of "real wages."

Dr. I. M. Rubinow published "The recent trend of real wages" in the American Economic Review of December, 1914, in which he compared full-time weekly earnings and hourly rates with their purchasing power in terms of food prices. Food prices were used because the expense of food comprises nearly half the family budget, and because the retail price level of other articles seems to vary about as the retail prices of foodstuffs. The wage figures were derived both from union minimum-wage scales and from actual wage payments in several industries as published by the Department of Labor. The result shows that real wages, both for the hour and the full-time week, showed a rising trend from 1890 to 1896 and a falling trend from then to 1912.

TABLE XIII—*Indices of union wage scales, cost of living, and real wages, 1907-1920.*

Year	Wages ¹		Retail food prices ³	Real Wages	
	(full-time week)	Cost of living ²		Cost of living	Retail food prices
1907	92 ..	...	82.	..	112
1908	93..	..	84	..	111
1909	93 ..	...	89.....	..	104
1910	95. ..	...	93. ..	....	102
1911.....	96..	..	92	..	104
1912..	98	..	98 .....	.....	100
1913.....	100	100 0	100	100	100
1914	102	103 0	102	99	100
1915	102	105 1	101	97	101
1916	106	118 3	114	89	93
1917	112	142 4	146	79	77
1918.	130	174 4	168	74	77
1919	148	199.3	186	74	80
1920...	189	200.4	203	94	93

¹ Changes in union wage scales, Monthly Labor Review, U. S. Department of Labor, March, 1921. The figures are for May of each year.

² Index based on retail prices weighted according to their importance in the family budget. Monthly Labor Review, U. S. Department of Labor.

³ Retail food prices, Monthly Labor Review, U. S. Department of Labor, April, 1921.

Dr. Paul M. Douglass, of the university of Chicago, using approximately the same method as Doctor Rubinow, has brought the table down to 1918, showing a continuation of the falling trend of real wages. See Table XII and Appendix G. This paper, in complete form, will be published in the September, 1921, issue of the American Economic Review.

In Table XIII we have compared the index of union wage rates for a full-time week as compiled by the United States Department of Labor with both the retail food price index and the total cost of living index from the time of its inception in 1913 down to 1920. By either test the real wages for a full-time week have shown a decreasing trend. (The 1920 figures were approximately at the peak, being accumulated in the first half of the year. They therefore do not take account of subsequent reductions.)

In Table XIV we have made the same calculations for machinists' wage scales. These also show a falling trend.

Two criticisms of the preceding tables may be made. One is that they give an undue preponderance to union wages rather than to wages in industries as a whole; the other is that they do not include extra payments for overtime, which have formed, at least during war years, a large part of the workmen's income. To the first objection the theoretical answer may be made that it is hardly conceivable that the wages of unorganized workers, who have not the advantage of collective bargaining, would show over any long period a higher percentage of increase than the wages of organized workers. To the second objection we may answer that the hourly rate as well as the full-time earnings indicates a decrease in real wages, and therefore the decrease can not be accounted for on the basis of shorter standard hours. If workmen had to give more work to get the same return in purchasing power, their real wages did decrease by any sound test.

In order to secure evidence not open to these criticisms we have resorted to the census figures. These figures give, in five yearly periods from 1899 to 1914, the total yearly wage payments of the industries covered, together with the average number of wage earners for the same establishments. By dividing the first by the second we have found the average per capita earnings in industry as a whole and in the 14 industrial groups. These figures cover, of course, all classes of workmen, and all wage payments, whether for overtime or otherwise. They are only approximately accurate, but they should be sufficiently correct to indicate a trend. Table XV contains the amounts in dollars. In Table XVI we have converted the amounts to relative numbers and have compared them with the index of food prices to show the index of real wages. In industries as a whole, and in nearly every industrial group, the trend of real wages was downward during the 15 years. The sole exception is "Vehicles for land transportation," where the sudden growth of the automobile industry changed the character of the industrial process. . .

For machinists employed in navy yards it is possible to calculate not only wage rates but actual full-time earnings since 1914. (The rates in arsenals show approximately the same course.) Table XVII contains

these results. In calculating the full-time earnings, it takes account of the overtime worked during the war and the bonus. It is assumed that part-time employment has been canceled by the 30-day vacation, and hence had a negligible effect on actual incomes. Table XVIII compares the two indices with the cost-of-living index. The index of real wage rates is fluctuating, but shows a general downward trend. The index of real full-time earnings fluctuates, of course, more widely. For the extra efforts put forth in 1917 and 1918 the machinists received a substantial increase in payment, but the trend, on the whole, is not upward.

The United States Department of Labor has recently prepared an index of hourly wages since 1840, and while, of course, the data on which it is based is even less complete than that for the more recent years, it is the best that can be compiled. This index shows that from 1840 to 1895 wages about doubled. This is undoubtedly greater than the rise in retail prices during that period, and shows that real wages actually did increase with the increase in production during the greater part of the nineteenth century. Some special influence or group of influences must have intervened about 1896 to change the situation. . .

Index number of wages per hour (1913=100)

Year	Index No.	Year	Index No.
1840	33	1875.....	67
1850.....	35	1880.....	60
1860.....	39	1885.....	64
1865.....	58	1890.....	69
1870.....	67	1895.....	68

As a result of these studies of real wages we may derive a startling conclusion. From 1840 to 1896 the purchasing power of wages did rise with some relation to the increase in production. But since 1896 it not only failed to keep pace with this increase, but registered an absolute fall. According to Day's index of production, if real wages had increased in direct ratio to the increase in per capita production since 1899, they would in 1918 have been about 30 per cent above the 1899 figure. But according to Douglass's index of real wages, they were actually in 1918 about 30 per cent below the 1899 figure. This means that if the average wage earner in 1918 had received the same share of the physical production of the Nation which he received in 1899, the average wage in 1918 would have been 85 per cent higher than it was.

2 Relation of real wages to prices—This study of real wages brings to the surface an apparent contradiction. We began by proving that wages did increase since 1899 as the value-product of industry increased. We now see that wages, measured by their purchasing power, have actually declined since 1896 so that the wage earners are not only unable to absorb their former share of the total national product, but can not

even absorb as many physical goods as they could in 1896, before the recent increases in productivity took place. How is this contradiction to be explained?

It is not to be explained on the ground that the employers, as such, have absorbed a larger share of the product. For "Value added by manufacture" to which we found wages had a constant ratio, includes everything paid out in interest, rent, profits, and salaries on the manufacturing process itself. Wages, measured in terms of prices at the factory, apparently have not declined. It is wages measured in terms of retail prices that have gone down. Evidently, then, the discrepancy is to be accounted for by a rapidly increasing margin between manufacturers' prices and retail prices.

This increase must have been not merely proportional to the general increase in manufacturers' prices, but much greater. Suppose an article sells at the factory for \$10 and the retailer sells it for \$20 and there is therefore a margin of \$10. Suppose then prices double all around; the factory price becomes \$20, the retailer's price \$40, and the margin \$20. Such a change would not affect the purchasing power of wages at all, if they retained the same ratio as before to factory prices. For in that case wages would double also, and wage earners could afford to pay \$40 at the store for an article which formerly cost \$20. The persons engaged in the distributing process between manufacturer and retailer would be performing the same service as before, and would be receiving the same relative compensation for that service.

What must have taken place since 1896, if our theory is correct, is an advance of retail prices in a more rapid ratio than the advance of factory prices. The persons engaged in the distributive processes—the shippers, warehousemen, commission men, speculators, wholesalers, traders, advertising agencies, sales agencies, retailers, etc., have been receiving a larger relative share of the national product. They have been exacting a higher return in goods for every billet of steel and yard of cloth produced. They have not only absorbed the wage-earner's share of the increased production of the nation, but more, too. This may not mean that the average middleman has been receiving a higher relative income. It may mean, instead, that the distributive process has become more complex and engages a larger proportion of the population, but it does mean, at any rate, that while manufacturing industry has been increasing its efficiency, distributive service has suffered a loss in efficiency of sufficient magnitude to eat up more than the saving made in manufacture.

It is difficult to check up this increasing margin between factory and retail prices, since we seem to lack any index of retail prices of an article which can be compared with an index of factory prices of the same article. If, however, we take the period between 1899 and 1914—the same census period we used in studying the distribution of the value production of industry—we find that retail prices of food increased from 68 to 102 (on the basis of 1913=100), while wholesale prices of food went up merely from 75 to 103. We have no good index of retail prices except that for food.

If we are right in assuming that the index of retail food is approximately the same as that of retail prices in general, the increasing margin between retail and wholesale prices is far more marked in many manufactured articles. Wholesale prices of cloths and clothing, for instance, went up from 1899 to 1914 merely from 82 to 98; metals and metal products, which fluctuate widely, actually dropped from 108 to 87; and chemicals and drugs moved only from 96 to 101.

For purposes of this comparison a new series of indices would have to be constructed, but what evidence we have points strongly in the direction of the truth of our theory.. .

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SUPPLEMENTARY NOTE E—UPON THE WAGE QUESTIONS
BROUGHT UP BY THE INTRODUCTION OF NEW MACHINERY,
AND THE PRINCIPLES UPON WHICH THEY MAY BE SETTLED

A special factor is sometimes brought into the question of differentials (or sometimes into the wage question for all workers of an industry) by the introduction of new machinery to do work hitherto performed by hand or by other machinery. The usual though not universal effect of this is to change the character of the work to be performed and the human qualities needed for its performance. The question inevitably arises whether the same wage should be paid as before, or whether there should be an increase or reduction in the wage of the groups affected.

On the whole labor organizations have ceased their efforts to prevent the introduction of new machinery into an industry. Instances can be discovered in a few American industries where even at the present time the introduction of machinery is being prevented by working rules, and other instances where the use of machinery is being hindered to an unreasonable extent, but these are exceptions. In the case of the introduction of new machinery now, labor organizations bend their efforts not so much to keep the machinery out as 1) to protect the wage rates of the workers concerned, 2) to prevent these workers from being thrown out of employment. Just what agreement is made regarding these two matters depends on the whole upon the bargaining strength of the workers and employers, and the prevailing conditions of employment. Since the question is ordinarily considered as part of the managerial function it is only rarely made the subject of joint discussion, with the aim of striking as good a balance as may be possible between the interests of workers, employers and public. But there are sporadic instances of such discussion.

Two separate questions may be distinguished when an effort is made to figure out what is a sound policy to be pursued as regards wages, following the introduction of machinery. The first is concerned with the effect upon the production of the workers, the second is concerned with the character of the work and workmen required before and after the introduction of the machinery. Let us look at the first question.

We may say that machinery of a given type is introduced primarily to "increase production" when it is reckoned that allowing the workers concerned the same hourly or weekly earnings and calculating the cost of the machinery, the unit cost of the product or process will be reduced. When machinery of a given type has that result, is there any reason why the wages of the workers in question should be increased or decreased, *considering the question of production alone?*

The answer may be different according as to whether the wages paid are being calculated on a time-payment system, or a system of payment by results. If on a time basis it is difficult to discover any reason for reduction. A case for increase may be made out on the argument that the benefit of the new invention should go to the workers using it, rather than to the employer or to the consuming public in the form of price reduction. Such a claim deserves more weight when the wages of the workers are low compared to the wages of other grades of workers, than otherwise; it also deserves more weight when the employment of part of the group is threatened than otherwise. If any increase is granted, there may be a tendency for the available supply of labor to grow because of movement from other industries, which will make the increase hard to maintain. These conclusions apply equally in the case of a system of payment by results—with one important qualification. The introduction of the machinery may add so greatly to the output of the workers as to produce a very large increase of earnings under the existing scale of piece-prices. Under such circumstances it would seem that some reduction in piece-price may be both just and practicable.

But the matter may be decidedly complicated by the second consideration already presented, the introduction of the machinery may mean a distinct change in the work to be done, and the abilities required for its performance. Or expressed in another way, the facts on which existing wages and differentials had been based may be changed. Many forms of machinery have been introduced into industry just because the machinery enables the employer to use a less skilled and able class of workpeople than had hitherto been required. What can be said regarding wage policy when such is the result? Several courses are open: 1) The same class of workers may be retained to do the work in question with the new machinery at existing wage rates.

2) The same class of workers may be retained with some reduction in wage rates, if they will accept the reduction. 3) The workers employed may be speedily or gradually replaced by less skilled and able workers at lower rates, commensurable to the work performed.

Which of these three policies is the most just and advisable is largely a matter of particular circumstance. The first is more reasonable when the change in the work is relatively small than otherwise. The third if carried out abruptly and ruthlessly is indefensible. It produces a greater loss of human welfare than can possibly be made up by reducing the price of the product. The second and third can be justified more easily during a period of full employment than otherwise; for then the workers concerned stand a better chance of finding employment for their skill. The matter is one calling for humane judgment in each case. The scales should be weighted in favor of the workers whose jobs are at stake.

As often and as long as the matter is left to the undirected play of economic forces, it will be settled unsatisfactorily. Those who are strong will be protected, those who are weak will suffer, and the public interest will receive only secondary consideration.

Below we reprint two decisions of the Board of Arbitration of the Men and Boys Clothing Industry of New York City—merely as an illustration of an attempt to handle the problems created by the introduction of new machinery under a system of joint discussion. In this particular industry it will be seen that the union was strong enough to have the rule established that in the event of the introduction of machinery the workers affected would suffer no loss.

That is followed by an extract from the majority and minority recommendations of the Bituminous Coal Commission of 1920. The majority report recommends joint discussion of the rates to be established for working with the new machinery, and as the basis of that discussion recommends not only that existing rates should be protected but that they should be increased by a "fair" proportion of any proven labor savings. The minority report (worker's representatives) attempts to make clear what savings are involved.

These decisions like all others in the volume are printed merely as material for critical judgment, not because of the particular policy they represent.

136—ROCHESTER CLOTHING INDUSTRY GENERAL
AWARD No. 5 (1921)¹

137—ROCHESTER CLOTHING INDUSTRY CASE
No. 14 (1921)²

As explained in the introduction these two cases are given merely as illustrations of an attempt to handle the problems created by the introduction of new machinery under a system of joint decision

136—ROCHESTER CLOTHING INDUSTRY—
GENERAL AWARD No. 5

Introduction of New Machinery

Pursuant to Section XX of the agreement providing that the question of the installation of new machinery and the effect thereof on the worker shall be submitted to conference, representatives of the Union and of the employers have been meeting in the office of the Board of Arbitration to work out regulations governing the introduction of various kinds of machines. Because of special conditions surrounding the use of different kinds of machines they have been discussed in separate conferences, and different sets of regulations will be made for different kinds of machinery.

On the general question of the desirability of the use of machinery there is no disagreement between the Union and the employers. Both parties express the desire to promote progress of the industry by the use of new inventions and new machinery. The Union asks, however, that this progress be not at the expense of the wage-earners, that regulations be established which will safeguard the wage-earners against injury or loss from the introduction of new machines. In general it was agreed that new machines should be introduced on condition that the workers do not suffer thereby.

With respect to what are proper safeguards against loss to workers from the use of new machinery, considerable difference of opinion developed, and different sets of regulations were proposed by the Union and the employers designed to protect the wage-earners against loss due to the introduction of machines.

A. Pressing Machines in Children's Jacket Inside Shops

In regard to pressing machines in children's jacket inside shops, although different sets of regulations were proposed by the employers

¹ Award of Board of Arbitration—Rochester Clothing Industry—General Award and Ruling No. 5 (1921).

² Ibid. Case No. 14 (1914).

and the Union at the first conferences, agreement was finally reached on all but one of the points involved.

The points agreed upon were:

1. Union to be notified before machines are introduced.
2. A joint committee to investigate and determine whether the conditions necessary to protect workers have been met, and the number of machines to be introduced.
3. Physical and sanitary conditions of the shops shall be such to make possible the use of pressing machines without injury to the health of the workers
4. Pressers on whom it would be a hardship because of age or other physical condition not to be required to work on machines
5. The same scale of wages to be agreed upon for all pressers.
6. No steam pressing machines to be introduced into shops employing less than six off pressers
7. No presser to lose his job because of the introduction of new machines and the pressing to have full time work when the rest of the shop is employed full time

The one point on which no agreement could be reached was the proposal of the Union that, "In case of increasing the number of operating machines the number of pressers shall be increased proportionately" To this the employers objected on the ground that it would perpetuate any low efficiency in the operation of the machines which may be required by the necessity of keeping all present pressers in jobs. The Union on the other hand contends that all operators and tailors from an outside shop might be brought inside without increasing the number of pressers and thus throwing all the pressers from the outside shop out of work.

The Board has considered this proposal carefully and is of the opinion that no general rule can be laid down on a question like this one that would cover all conditions and all cases. The wise and more practical course would be for the joint committee that investigates the matter of the introduction of the new machines in any shop to take up and determine also the question of whether the pressing section should be enlarged when the rest of the shop is enlarged.

Considering the points agreed upon by the representatives of the Union and the employers as well as the opinion just expressed on the question in dispute, the Board of Arbitration makes the following ruling in regard to the introduction of new pressing machines in Children's Jacket Inside Shops:

The general principle to be applied is that new pressing machinery may be used providing the workers affected thereby suffer no loss. To carry out this general principle the following regulations are made:

1. Before any steam pressing machines are introduced in an inside shop, the employer is to notify the Union of his intention, stating the number and kind of machines to be installed.

2. Upon receipt of such notification the pressers' union and the employer shall appoint forthwith a joint committee to investigate the

matter and to determine whether the conditions necessary to protect the workers have been met, and the number of machines to be installed.

3. The physical and sanitary conditions of the shop where it is proposed to install pressing machines shall be such as to make possible the use of the machines without injury to the health of the workers, and the joint committee is to investigate and determine in each particular case whether individual boilers are to be used or a central boiler plant required.

4. No presser on whom it would be a hardship because of age, or other physical condition shall be compelled to work on steam pressing machines. He shall continue to work by hand as heretofore.

5. A scale of wages which shall be the same for all off pressers whether working by hand or machine shall be agreed upon whatever steam machines are installed.

6. No presser shall lose his job because of the introduction of pressing machines. The same number of pressers shall be employed as before the introduction of the machines. The pressing section should be employed full time when the rest of the shop is working full time.

7. No steam pressing machines are to be introduced into any shop now employing less than six off pressers.

8. When a shop is enlarged by increasing the number of operating machines, the question whether the pressing section should also be enlarged shall be determined by the joint committee.

These regulations are to become effective immediately and hereafter the procedure provided in this decision is to be followed in introducing pressing machines in all children's jacket inside shops owned by the members of the New York Clothing Manufacturers' Association.

B. Basting and Special Machines

The conferences between representatives of the Union and the Association with regard to basting and special machines resulted in no agreement, although on a number of points there was little difference of opinion.

The Union reiterated its position that it was not opposed to the introduction of new machines, and presented certain measures to safeguard the workers against loss from the introduction of machines. The Association also proposed a set of rules covering the introduction of machinery.

The main points of disagreement centered around two requests of the Union. The first of these was that machines should be introduced gradually, the employer to choose which operation he desires to use the machine on this season. The reason given for this request was that a great many workers are now unemployed and if many machines were introduced at once, unemployment and suffering would be greatly increased; whereas gradual introduction of machinery would prevent dislocation of the industry, and will insure cooperation of the workers.

The other point of disagreement was the request of the Union

that a minimum number of operating machines be required for the introduction of basting machinery. This, it was explained, was for the purpose of assuring employment to the displaced people. In small shops the Union argued there would be little opportunity to find work for the displaced people. To this the employers replied that there were few very large shops in this market, and the use of basting machines would be practically prohibited by any such regulation.

After careful consideration of these differences, the Board of Arbitration is of the opinion that any introduction of new machinery should be made gradually in order not to dislocate the industry and throw workers out of employment. It would hardly be practical, however, to make a choice in advance of one certain operation which a basting machine would be applied to, when circumstances may develop requiring the use of the machine for other operations to the advantage of both the workers and the employer.

Similarly, it may be true that certain shops have not enough ordinary sewing machines to justify the use of special basting machines. But the Board is unable to say that any specific minimum number of ordinary operating machines should be required before basting machines can be introduced. This will probably have to vary with the kind and quality of the work done in the shop, and not only that, but also other conditions in the shop, such as the responsibility of the employer and whether he is permanently or temporarily in the market must also be considered. For these reasons the Board believes it better to decide each case on its merits instead of laying down a general rule which could not be generally applied.

In view of these considerations and the consensus of opinion of both parties on the other points, the Board of Arbitration is of the opinion that the following rules should govern the introduction of basting and special machines in inside coat shops.

1. The general rule that machinery may be introduced provided that the workers affected thereby suffer no loss, is to be applied to these machines as to all others.

2. Before the machines are introduced the Union is to be notified of the employer's intention and the number and kind of machines should be stated.

3. The Union shall then appoint a committee to investigate jointly with the employer and to determine jointly with him the conditions necessary to protect the workers against loss from introduction of the machines.

4. Workers who have done the operations by hand shall be used on the same operations by machines.

5. Scales of wages and standards of production shall be established for the machine operators as soon as possible after the machines begin to work.

6. No worker shall lose a job on account of the introduction of the machines.

7. All other questions that may arise about the protection against loss to the workers from the introduction of machinery shall be con-

sidered and adjusted by the joint committee of the Union and the employer in each particular case; and in the event of failure to reach an adjustment the Board will decide the case.

137—ROCHESTER CLOTHING INDUSTRY—CASE No. 14

Installing New Machines

In accordance with General Ruling No. 5 relating to machinery, the firm notified the Union of its intention to introduce five pressing machines in its inside shop, and a joint committee representing the Union and the employer investigated the conditions in the shop and the provision made to protect the pressers against loss due to the introduction of the machines. The committee being unable to reach a final adjustment in the matter, it was referred to the Board of Arbitration.

The representatives of the employer contended that there could be no question about the right of the employer to introduce these machines, since all the rules agreed upon to protect the workers against loss had been obeyed. The conditions in the shop are sanitary, a central boiler plant will be installed and all the ten pressers employed by the firm will be kept by the firm, and the wages they have been earning will be maintained.

The Union's representative argued that there was no need for five machines in this shop because the firm has not enough work for five machines and five hand pressers. If all the pressers are to be kept on, some of them will have to be paid for doing practically nothing, and no house ought to be permitted to have any more machines than are needed to take care of the production of the shop and employ all its pressers. Further, the Union objects to one man operating two pressing machines and contends that this is entirely unjustified.

In deciding cases of this character the Board is bound by the general rule agreed upon by both the Union and the employers that machines may be introduced on condition that the workers do not suffer thereby.

In the present case the firm has employed 10 off pressers by hand and it proposes to put four of them on the machines and have the other six do repressing by hand. The wages of all of them are maintained and no one will lose a job. It appears also that the sanitary conditions of the shop are such as to make possible the use of the steam machines without injury to the health of any worker. A central boiler plant is to be used, and the only question raised by the Union committee in this respect is that the foreman promised to place two of the machines near the window and this was not done.

Under circumstances like these, when the workers are fully protected in their jobs, their wages and their health, there can be no justification for opposing the use of improved machinery. The rules laid down in General Award No. 5 were designed not to prevent the use of machinery but to regulate its introduction in order to protect the worker against

injury and loss. These rules having been met in the present case the employer has a right to introduce the machines. . . .

138—REPORT—U.S. BITUMINOUS COAL
COMMISSION (1920)¹

MAJORITY REPORT

Introduction of Labor-Saving Devices and Machinery

The United Mine Workers, through their president, have stated their position on the introduction of machinery and other mechanical devices that tend to increase production and efficiency in the mining industry. The statement fully accepts in principle the desirability of the introduction of such machinery and devices.

The statistics before the commission show that 57 per cent of the country's total production of bituminous coal is machine mined. It is recognized by the commission that the introduction of machinery and devices can be prevented by the mine workers by failure to agree upon the rates, terms, and conditions under which the machinery and devices are to be used. We recommend that the good offices of the miners' international organization be exercised to maintain the principle that has been so fully presented in behalf of the mine workers.

Pending the joint district agreement between the miners and operators covering a fair schedule of rates for piecework or tonnage operation of any new device or machinery, the right of the operator to introduce and operate any such new device or machinery shall not be questioned, and his selection of such men as he may desire to conduct tests with or operate such device or machinery shall not be in any way interfered with or obstructed by the miners or their representatives, provided the wages offered are at least equal to the established scale rates for similar labor.

The operator shall be privileged to pay in excess of the established scale rates of pay without such excess pay being considered as establishing a permanent condition for the operation of said device or machine.

After the device or machine shall have passed the experimental stage and is in shape to be introduced as a regular component part of the production of coal, then for the purpose of determining a permanent scale of rates (such rates to continue until the joint scale conference above referred to fixes a scale) for operating such device or machine the mine workers may have a representative present for a reasonable time to witness its operation, after which a schedule of rates shall be determined by mutual agreement, which scale shall be concluded within 60 days after a fair test has been made.

¹ Report of the United States Bituminous Coal Commission (1920). pages 48-9; 105-7.

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The test will disclose the labor-saving in the cost of producing coal, out of which labor-saving the mine worker shall receive the equivalent of the contract rates for the class of work displaced, plus a fair proportion of the labor-savings effected.

In like manner new or untried systems of mining, for instance, long wall, retreating long wall, or the panel system, may be introduced by the operator for the purpose of conservation, increasing production, the lessening of cost, or, in the interest of safety, without his right to make such change being abridged; provided, however, that for this class of work the mine worker shall in the same manner receive the equivalent of the contract rates for the class of work displaced, plus a fair proportion of the labor-savings effected.

MINORITY REPORT

Introduction of Labor-Saving Devices and Machinery

As a substitute for the extended section of the majority report on the topics we would recommend the following statement which more briefly and effectively covers the questions at issue:

'Labor-saving machinery: The operators have the right to install labor-saving machinery at any time and such machine work not now covered by this agreement shall be governed by such scale as the miners' and operators' representatives may determine.'

The United Mine Workers have always been favorable to and have never opposed the introduction of machinery or labor-saving machinery in the operation of the mines. As a matter of fact, the substitute of mechanical methods for hand labor has been a very noticeable feature of the development of the industry during the past 25 years. The number of machines in use has increased from 545 in 1891 to 18,463 in 1918. In the former year only 5.3 per cent of the bituminous coal supply was mined by machinery as contrasted with 55.9 per cent, or more than one-half in 1918.

In its annual report on coal for 1914, the United States Geological Survey says:

'During the last quarter of a century the cause of unionism among the miners has shown noteworthy progress and a number of coal-mining States are now all unionized. Prices of labor have been markedly advanced, the higher cost of labor being chiefly offset by the economies effected through the use of mining machines and other mechanical and technical improvements.'

The great saving effected by the coal operators through the use of mining machines is manifest at a glance at the scale of wage rates. At present the rate for hand mining in both the Hocking Valley and the Pittsburgh districts is \$0.8764 per ton (thin vein) while the rate for machine mining (chain machines, thin vein) is only \$0.70 per ton. At the rate of this differential of 17½ cents per ton, the operators made

a gross saving through the use of mining machines amounting to \$56,688,000 in the year 1918, and owing to the rapid growth of the use of machines, this profit is growing every year. In the year 1915, when the differential was larger than it now is, the savings through the use of machines was \$48,000,000 and that the operators were keenly alive to their financial interests is shown by the fact that the number of mining machines has increased in the three years from 1915 to 1918 by over 17½ per cent

There are naturally some deductions that must be made from the above gross saving. There is the interest on the investment, and cost of the power required to operate, as well as repairs and depreciation. The saving per machine, however, taking all makes and styles together can readily be found by multiplying the differential (17½ cents) by the average tonnage mined per year per machine (17,500 tons in 1918). This product is over \$3,000 as the average saving for each machine, and when this sum is compared with the average cost, it is seen that the investment is a very profitable one for operators.

The differential that now exists in Illinois between pick and machine mining is 10 and 7 cents per ton, and in Indiana it is 12 cents per ton, both States having a considerably lower differential than in Hocking Valley and the Pittsburgh districts, but even at this comparatively low differential the saving to the operators is large. The tables show that in the three years from 1915 to 1918 the number of machines in use in Illinois increased 20 per cent and in Indiana increased 37 per cent.

The cost of mining machines varies with the style and the make, but they average between \$2,200 and \$3,200 apiece. If the interest on the investment is figured at 5 per cent, and the depreciation is large enough to replace the machine entirely at the end of five years of use, the year overhead charge per machine will vary between \$550 and \$800. The necessary repairs are more than counterbalanced by the junk or "turning in" value of the discarded machine, and the power for the operation is furnished from already existing power stations. Thus a differential of 7 cents per ton with a yearly output of 17,500 tons per machine will effect a gross saving to the operators of \$1,225, which is a net saving above overhead charges of from \$675 to \$425. A differential of four and one-half cents is sufficient to justify the operators in installing machines and obtaining the benefits of the resulting increased production.

The coal miner's position, however, is not that all the savings from the use of the machine should be credited to him. His position is admirably set forth by John Mitchell, formerly president of the United Mine Workers of America, in his book "Organized Labor," chapter XXVIII. President Mitchell says:

"What the trade-unionist desires is not prohibition of machinery, but its regulation. The unionist demands, first, that machinery be introduced in such a way as to give the greatest possible benefit to all classes, with the least possible damage to the workman, and, second, that the introduction of machinery shall rebound to the direct and immediate advantage of the workman, as well as to the direct and immediate advantage of the employer . . ."

BIBLIOGRAPHY

A TABLE OF SOURCE MATERIAL

The sources of material for a collection of wage decisions are manifold. This collection is drawn from the decisions of numerous and unconnected courts and boards, some permanent, some temporary, some official in character, some entirely without official connection; some have served their purpose and ceased to exist; others proved unsatisfactory and have failed; still others appear to be only beginning their promising service as agencies of industrial peace and justice. Among the decisions reprinted will be found some which were aimed solely to render satisfaction in a particular dispute, others which were delivered as part of a noble effort to contribute to the creation of a body of principles for the government of industrial relations within an area of industry.

In this book no attempt is made to discern whether there are any tendencies towards any uniform policy of wage settlement, nor to speculate upon the question of whether these decisions are the beginnings of a new body of industrial law, destined to be enriched through further experience and to win a gradual acceptance. Furthermore, as is emphasized in the general introduction, large sections of current experience are not represented in this collection.

For the sake of those who may wish to study the further material that is available the following list of sources has been drawn up; my belief is that the various sources cited will not be found collected in any one place. The Industrial Relations Library at Princeton University has recently undertaken the work of collecting the current decisions of the impartial arbitrators in those American industries which have agreements for the submission of disputes to some such appointed judge; this may be the beginning of the work of collection. In a growing number of industries, the decisions rendered in industrial disputes are being made a matter of permanent record, usually in printed form. The Monthly Labor Review published by the United States

Bureau of Labor Statistics publishes each month recent decisions; that publication is, in fact, the most important current record of American material in this field.

The list which follows is not intended to be exhaustive in any way. It includes few sources before 1910; it gives, on the whole, references only to agencies which have had a steady existence and have rendered many decisions, and to those industries in which the practice of arbitration has been regularly practiced. It does not include at all references to the decisions of shop committees or councils, which are rarely printed and which are exceedingly difficult to obtain.

The list of American material is largely a tribute to the work of a few men, who as advisers, arbitrators, impartial chairmen and the like, have been teaching industry the art of orderly self-government.

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Hat and Cap Industry—New York City. Decisions of impartial chairman available only in typewritten form. Usually printed in Monthly Labor Review.

Kansas Court of Industrial Relations. Decisions printed separately and in Annual Reports of the Court.

Ladies Garment Industry—Cleveland and Chicago. Most of the decisions of arbitration authority available only in mimeographed form. Important cases usually printed in Monthly Labor Review.

Men's Clothing Industry—Chicago. Available only in mimeographed form; a few important decisions have been printed. The office of the impartial chairman has made a summary classification of these cases. Rochester, Cleveland, and Montreal—the situation is similar to that in Chicago. This body of source material, especially that of the Rochester and Chicago markets, is of unusual value. For history of the agreement in New York City (no longer in existence) and summary of decisions under it, see

"Collective Agreements in Men's Clothing Industry" Bulletin #198 U.S. Bureau of Labor Statistics. Government Printing Office, Washington, D.C.

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Packing Industry. Administration for Adjustment of Labor Differences arising in certain Packing House Industries 1917-19. Printed privately.

Printing Industry. A great number of arbitrations in various cities. Some are printed, others are not. United Typothetae of America, Chicago, has most complete collection of them.

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Tasmania—Annual Report of the Industrial Department. Hobart.

Victoria—Wage Board decisions published by Department of Labour. Melbourne.

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An attempt has been made to indicate the subject matter of each work, and to arrange them according to the chapter of the foregoing collection to which it particularly relates. But, as a matter of fact, many of the most valuable of the references touch upon the principles presented in several or all of the chapters; this holds true particularly of the works listed under the heading "General." For example, as far as the editor's knowledge extends, there is no work dealing only with the "principle of comparison with other industries" as a principle of wage settlement, but the matter is given much attention in many of the references listed under other headings, in connection with or as a part of a discussion dealing with other principles or problems of wage settlement. The arrangement has, therefore, only a slight practical value.

The bibliography contains no references to works of general economic theory; some sort of discriminating knowledge concerning the processes and relationships of economic life, whether acquired from these sources, or from independent observation or any other way, is essential to any useful judgment concerning the questions dealt with in this volume.

GENERAL

For a general understanding of the principles of wage settlement usually favored by the organized employers of the United States, see the annual Proceedings of the National Association of Manufacturers and the works published by the National Industrial Conference Board; for views usually held by organized labor on the same subject see the American Federationist, official publication of the American Federation of Labor, and Advance, the

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